

**Migration and
Development Within
and Across Borders:
Research and Policy
Perspectives on Internal
and International
Migration**



IOM International Organization for Migration



THE SOCIAL SCIENCE RESEARCH COUNCIL

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Edited by
Josh DeWind and Jennifer Holdaway



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An abstract graphic featuring a dark gray, irregular frame that resembles a rough sketch or a torn piece of paper. Inside this frame is a light gray, irregular shape that also has a torn, layered appearance. The word "Foreword" is centered within the light gray shape.

Foreword

Migration and Development: the Forgotten Migrants

Frank Laczko

Head of Research and Publications, IOM Geneva

Research and policy interest in the linkages between migration and development is probably at an all-time high, with numerous meetings, studies and publications devoted to the subject. At the international level there are renewed efforts to promote policy dialogue between states concerned with issues relating to migration and development. For example, the UN General Assembly organized in 2006 a High Level Dialogue on International Migration and Development in New York and in 2007, the Global Forum on Migration and Development was launched in Brussels.

For many years migration was often seen as resulting from a lack of development, today policy makers in both countries of origin and destination, are highlighting the positive potential of migration for development. Why this renewed interest in the subject of migration and development? There are many reasons, but one factor which is commonly mentioned is the recent growth in South-North migration. As a result, much of the policy debate about ways in which to manage the benefits of migration for development has tended to focus on issues relating to South-North migration. This has meant that questions relating to South-South migration have received less attention. Moreover, if there is a discussion about South-South migration, that is migration between developing countries, the focus tends to be on movements of people *across* borders, rather than *within* countries.

Although there is a growing recognition that there is significant South-South international migration, there has been very little discussion in the recent international policy debate about migration and development about the significance of internal migration for development. Yet, in many countries, internal migration, i.e. that which occurs inside the borders of a country, is actually far more important both in terms of the numbers of people involved and the resulting impact on development through remittances and other effects.

The scale of internal migration globally has not been fully recorded, but there is little doubt that the numbers of people moving internally is far greater than the level of international migration. For example, in 2006, the

UN recorded that 61 million migrants had moved South-South (i.e. from one southern country to another). In the same year China, alone, counted 126 million internal migrants.

Why have the linkages between internal migration and development been ignored? Part of the reason may be due to lack of data. Statistics on internal migrants and internal migratory flows tend to be even more difficult to find than data on international migration. But another part of the reason is linked to the way in which researchers have studied migration.

As Professor Ron Skeldon has noted, in recent years the word “migration” has nearly always been associated with “international migration”, while internal migration has been subsumed under such terms as “population distribution” or “urbanization”. Those working on international migration seldom consider internal migration as relevant to their interests and vice-versa.

In recent years, IOM has taken a number of initiatives to promote a better understanding of the linkages between internal migration, international migration and development. In 2005, a report entitled “Internal Migration and Development: A Global Perspective”, prepared by Priya Deshingkar and Sven Grimm, was published in IOM’s Migration Research Series. The authors of this report provide an overview of the pattern and significance of voluntary internal labour migration and discuss the impact of this form of migration on development. Despite overwhelming evidence that internal migration can lead to the accumulation of household wealth as well as positive changes in both sending and receiving countries, Deshingkar and Grimm argue that internal migration continues to be viewed as an economically, socially and politically destabilizing process by policy makers, researchers and many NGOs. One reason given for this, they argue, is that internal migration is an “administrative and legislative nightmare”: it crosses physical and departmental boundaries confusing rigid institutions which are not used to cooperating with each other. The authors argue that by not acknowledging the vast role played by internal migrants in driving agricultural and industrial growth, governments escape the responsibility of providing basic services to millions of poor people who are currently bearing the costs of moving labour to locations where it is most needed.

Another report, published in IOM’s Migration Research Series, “Domestic Migrant Remittances in China: Distribution, Channels and Livelihoods”, prepared by Rachel Murphy, highlights the scale of internal remittances in China. In 2005, China’s rural migrants sent nearly USD 30 billion back

home to their families, a sum much greater than the remittances received from China's international migrants.

In 2005, IOM organized a regional conference in Asia in Lanzhou, China which was hosted by the government of China and funded by the UK Department for International Development. The Lanzhou conference which brought together policy makers and experts from some of the largest countries in Asia, focused on ways to enhance the contributions that internal migrants can make to local and national development. An extensive report on the conference, entitled "Migration, Development and Poverty Reduction in Asia" was published in 2005 by IOM in both English and Mandarin.

One of the key messages of this report is that we need much more in-depth comparative research and analysis to understand better the impact of different policy approaches on development. It was evident from the Lanzhou conference that national policy responses vary enormously. Some countries have very clearly defined policies in regards to the management of internal migration whilst others have a much more "laissez-faire" approach. As internal migration affects the work of so many different ministries, agriculture, labour, health, development etc., it is often difficult to identify a clearly defined national policy. In other countries such as Viet Nam and China where previously there was an emphasis on restricting migration through a variety of means, there has been a shift in policy in favour of encouraging and managing internal migration in order to boost economic development.

We also need much more evaluation and assessment of some of the pilot programmes which have been initiated in a number of countries to reduce the costs of internal migration for migrants and receiving destinations. One example, of such a scheme is the "Migrant Labour Support Programme" (MLSP) in India, which aims to identify ways for poor tribal migrants to maximize the benefits from seasonal migration, and to replicate these approaches in tribal districts and destination areas. Key components of the MLSP approach are the registration of migrants by the local government, the issuing of identity cards and employment record books, and making accident and life insurance available to tribal migrants. Two kinds of centres have been set up under the MLSP – the Migrant Information Centres and Migration Resources Centres. These centres provide migrants with various forms of support, such as information about job opportunities and access to social and health services, and can also assist migrants in disputes with employers about unpaid wages and other issues. (For more information

about this and other programmes. See the report of the Lanzhou conference, IOM,2005).

More recently, IOM has prepared a special chapter on internal migration which will be published in IOM's flagship publication the 2008 World Migration Report. This chapter, prepared by Priya Deshingkar and Claudia Natali, is concerned with voluntary migration for employment as the main theme of the forthcoming 2008 World Migration Report is "Managing Labour Mobility in the Evolving Global Economy". In this chapter, the authors discuss the possible linkages between internal and international migration and ask three basic questions about this relationship.

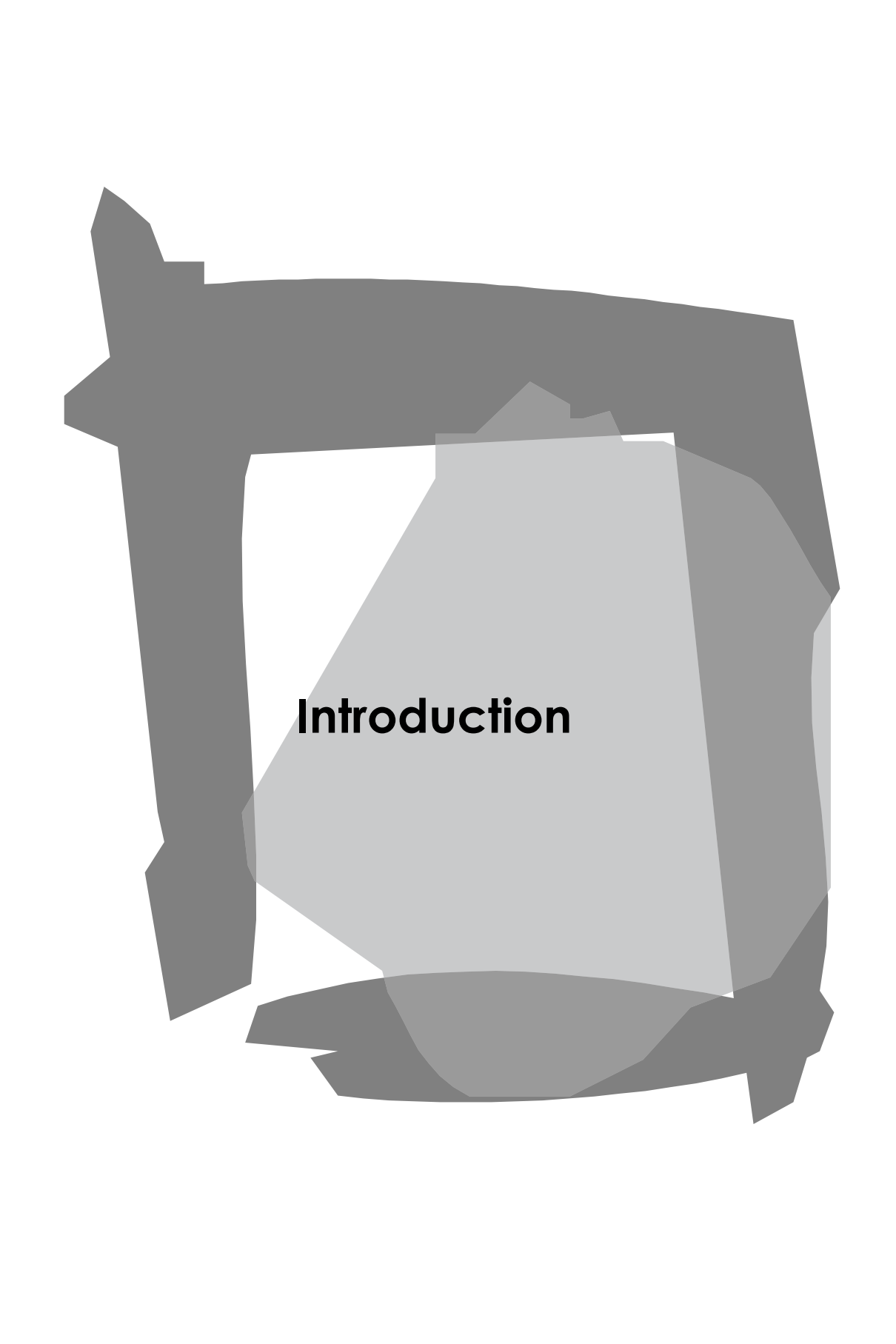
First, are today's internal migrants tomorrow's international migrants? Second, are international migration and internal migration substitutes for each other? Third, do internal and international migrants share the same profile?

Broadly speaking, according to the authors, internal and international migration may be interlinked in three different ways. First, there is "step migration", where people move to one or more locations within their country before emigrating to another country; second there is what might be called "replacement migration", where the "gap" left by workers moving abroad is filled by workers from other parts of the country, and third, return migration, where international migrants return to their country and have an impact on internal migration.

At the end of the Lanzhou conference, IOM and SSRC, decided to host a further workshop on the same theme in New York but which would not be limited to focus on Asia. Hence in November 2005, SSRC, IOM, Economic and Social Research Council (ESRC), and The Center on Migration Policy and Society (COMPAS) organized an expert meeting in New York, entitled "Migration and Development: Within and Across Borders", where earlier versions of the papers in this volume were first presented, IOM is delighted to be able to publish this volume of research, as it is likely that interest in the subject of internal migration and its relationship to development is likely to grow in the future.

One of the reasons why there is likely to be greater focus on internal migration is linked to the growing international concern about the likely implications of climate change and environmental degradation on population movements. Estimates of the number of people likely to be displaced by environmental factors vary enormously, but all commentators agree that these movements are likely to be substantial and that most of this migration

will occur within borders. Estimates of the number of persons likely to move as a result of environmental change by 2050 vary from 25 million to one billion persons. Estimates tend to vary enormously given that there is still little consensus as to how best to define an “environmental migrant”, and there are many challenges involved in isolating the importance of environmental factors as opposed to other reasons for migration. As the international community moves towards developing better indicators of the implications of environmental change on migration, it is likely that producing better data on internal migration will receive greater priority in the future.



Introduction

Internal and International Migration and Development: Research and Policy Perspectives

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Over the last half century, migration research and policy have focused on internal and international migration separately. Attention to internal migration has focused largely on rural–urban movements and processes of urbanization within developing countries and on movement between regional labor markets within industrialized countries. Such concerns have for the most part been pursued with little or no connection to debates related to international migration, the study of which began to consolidate during the 1980s largely in response to policy debates over the increasing flow of international migrants from countries of Asia, Africa, and Latin America. Although internal and international migrants are often motivated by similar forces and may be linked with one another, whether or not their movement takes them across national borders has placed them under different spheres of national sovereignty and administrative governance, reinforcing their separation in scholarship as well as policymaking.

Recognition of the contributions that migrants can make to economic development provides good reason to reconsider the separation between internal and international migration research and policymaking. Part of this interest in migration and development has been stimulated by the substantial increase over the past decade in the amount of funds that international migrants remit to their home countries. The potential importance of remittances has led researchers to reconsider more broadly how the types of resources that migrants transfer home might be significantly related to various aspects of development in sending countries. While most attention is being given to the use and impact of the remittances of migrant workers, other research is also examining such issues as the balance between “brain drain” and “brain gain” resulting from the movement of skilled and professional migrants; the investments made by diaspora-based entrepreneurs in home country businesses; the economic implications of refugee flight and settlement; the stimulation of production and trade by

overseas ethnic markets; and the ways in which new ideas, values, and other “social remittances” redefine development goals. As a result, both national governments and international organizations have begun to view international migration as a tool for development and to design policies to maximize its benefits.

Some governments have established programmes to retain connections with their emigrant populations by extending continuing national membership, dual citizenship, voting rights, and the like. Economically, they offer special tax and other benefits to attract investments in the home country and the return home of nationals with useful skills. Through the United Nations, a large number of states have recently begun to participate in a Global Forum on Migration and Development to explore together the development benefits that they might foster through state sponsored policies and programmes.

Significant as international migration may be to development, internal migration may be more important, particularly in countries undergoing urbanization. While statistics about international flows of migrants and remittances around the world are being refined and analyzed, less international attention has been given to assessing the substantially larger internal movements of migrants. The most recent estimate by the Population Division of the United Nations is that close to 200 million people, or 2 to 3 percent of the world’s population, live outside the countries of their birth. In contrast, over the next two to three decades, in China and India alone, governments are planning for the urban resettlement of some 340 million and 100 million rural residents respectively. Smaller but still significant numbers of people are also moving between rural areas, between cities, or from cities back to the countryside. Other countries of Africa, Asia, and Latin America expect to go through similar demographic transitions, if they have not already done so. That those countries with the highest levels of urbanization also enjoy the highest rates of economic productivity suggests some of the developmental implications of internal migration.

Consideration of the significance of internal and international migration for development raises two basic questions: how are the two migratory processes related to one another and in what ways are they similar or different with regard to their effects on development? This volume helps to answer these questions by focusing specifically on the internal and international movements of migrant workers and the implications of their employment, earnings, and spending in both sending and receiving areas. This approach becomes relevant to a broader rethinking of the relation between migration and development by exploring three interrelated perspectives. First, it examines relations between internal and international

migration processes. Internal and international migrants, families, and their networks are often linked with one another and they share resources both within and across national borders. Second, it examines comparatively the implications of internal and international migration on different levels of social organization ranging from individual migrants and their families to communities, districts, nations, and world regions. Third, because both forms of migration are often motivated by similar economic, social, and political factors, understanding their interrelations and their similarities and differences can contribute to the design of policies intended to enhance their contributions to development.

The events that led to our combining considerations of internal and international migration began with a regional conference on “Migration, Development, and Poverty Reduction in Asia,” which was organized by the International Organization for Migration (IOM) and hosted by the government of China in Lanzhou, Gansu, in March of 2005. The Lanzhou conference emphasized the importance of internal migrants for local and national development and how their contributions can be enhanced by strategies to reduce the risks of migration for poor people.¹ But several papers also considered to some extent the contributions to development of international migration. The Lanzhou conference prompted the Social Science Research Council (SSRC) and the International Organization for Migration to propose a workshop that would explore new directions for migration and development research and policy by highlighting important linkages between internal and international migration. With funds provided by the Economic and Social Research Council (of the United Kingdom) and the Center on Migration Policy and Society (based at Oxford University), as well as by the IOM, the SSRC organized a workshop titled “Migration and Development Within and Across Borders: Concepts, Methods, and Policy Considerations in Internal and International Migration,” which took place during November 2005 in New York City.

The papers and discussions at the workshop covered various types of internal and international migration, including the local effects of skilled and professional migration and conditions that attract return, investments made by entrepreneurs in their home countries, the implications of forced migration for development, and the contribution of “socio-cultural remittances.”² The articles we have selected for this volume are revised versions of some of the workshop papers that focused on issues related to

¹ For a report on the conference, see International Organization for Migration, *Migration, Development and Poverty Reduction in Asia* (2005).

² For the workshop’s full agenda, including all the participants and papers presented, go to http://programs.ssrc.org/intmigration/working_groups/migration_and_development/workshop/nov_2005_agenda/.

labor migration. This narrower topical focus not only facilitates our framing of internal and international migration within sending and receiving areas and on different levels of social organization but also makes possible an examination of related methods of research and links to policy. In doing so, our goal is to elaborate a strategy that can more broadly integrate migration and development research, inform future research agendas and methods, and help to link research to policy considerations.

To frame and clarify our approach, the articles in this volume are grouped into two sections followed by an afterword. Section I includes papers that examine linkages between internal and international migration processes in relation to economic development. The articles summarize what is known about how internal and international migration affect one another and suggest issues for researchers and policymakers to take into account in the future. Two of these articles give particular attention to methodological issues. The second section includes articles that bring different perspectives of internal and international migration to the impacts of remittances and labor migration on development in sending and receiving areas.

Finally, we have written an afterword that explores the collective insights that can be drawn from each of chapters by framing their findings with regard to levels of social analysis within sending and receiving regions. This framework is employed to link research findings to consider the design of future research and policy agendas.

Connecting Internal and International Migration and Development

Ronald Skeldon's article provides a broad overview of the different ways in which internal migration leads to international migration and, similarly, how international migration gives stimulus to internal migration. Drawing largely on examples from Asia, he proposes that because internal and international migrations are different geographical responses to the same processes of modernization and development, they should be analyzed and understood within a common research framework. In the afterword, we build on Skeldon's approach and draw upon other articles within this collection, to outline how such a framework might be developed and applied both to research and to migration and development policies.

Based on research about Peruvian and Ghanaian migrants respectively, the articles by Norman Long and Valentina Mazzucato approach migration and development from the perspective of migrants themselves. In doing so, they recognize that for migrant families and networks to secure their livelihoods, they must sustain linkages and exchange resources between

sending and receiving locations. Whether those networks are local or international depends upon the opportunities that a migrant family encounters and their ability to take advantage of them. Starting from the point of view of migrant actors and recognizing the central importance for them of sustaining translocal ties leads both Long and Mazzucato to introduce innovative concepts and research methods.

In analyzing translocal family relationships Norman Long expresses misgivings about the categorical distinctions between different types of migratory movements. Instead he assumes an “actor-oriented perspective” that conceives of the members of translocal migrant networks as they are related to family enterprise, reproduction, and change. In a “globalizing world” where geographical mobility, rapid transportation, and instantaneous communication of information are the norm, he contends, “there is no ‘great ontological difference divide those living ‘at home,’ in some ‘distant city,’ or in a ‘transnational world.’” He illustrates this methodological point with his ethnographic research on the multi-sited and cross generational ties that link the livelihoods of Peruvian migrant family and community members dispersed within and outside the country.

Valentina Mazzucato and her research team discovered similar ties between internal and international Ghanaian family and community networks. By adopting a “simultaneous matched sample” research method, in which researchers were posted at multiple nodes of migrant networks, she and her research team were able to investigate the communications and exchanges of resources between network members in the Ghanaian countryside, the capital city of Accra, and the Netherlands. The research revealed that the “mutual insurance contracts” that bind the livelihoods of network members resulted in bi-directional exchanges of informal moral and material support between sending and receiving areas, wherever the need. This simultaneous, multi-sited approach enabled the researchers to follow the give and take of mutual relations not otherwise recordable.

In their chapter, J. Edward Taylor, Jorge Mora, Richard Adams, and Alejandro López-Feldman take advantage of a national Mexican survey of rural households to test the idea that migration begins with relatively wealthy community members whose networks then facilitate and reduce the cost of travel for poorer community members, whose migration soon follows. The authors seek to determine what impact the remittances of both internal and international migrants have on poverty and income inequality between households. They conclude that the more closely rural communities have become integrated into local and international labor markets, the greater the impact remittances have in reducing poverty and

narrowing income inequalities within sending communities and, over time, between regions of rural Mexico. They show that international migration provides migrants with higher incomes and contributes a larger portion of household income than does internal migration, although they do not attempt to determine how differences in levels of earnings affect choices to engage in one form of migration or the other.

Shifting focus from sending to receiving areas, Susan Carter and Richard Sutch analyze the effect that international migrants might have on the employment and wages of native-born workers, some of whom are internal migrants. To inform contemporary debates about U.S. immigration restrictions, they examine a historical case of immigrant labor market impacts based on U.S. county level census data from 1910. They expect that if international migrants have an adverse impact on native-born workers, it will be more obvious in the past than today because of the relatively higher ratio of international to native-born workers and because immigrant and native workers were more similar in educational and other characteristics than they are today. Through their analysis of migration to different counties and regions of the United States, the authors find that both immigrant and native workers migrated to the same urban labor markets. Not only did immigrant and native born workers not “crowd out” one another, they conclude, but the arrival of both contributed to moderated and long-term economic growth. The authors argue that if research is to be relevant to policy, current “textbook” models of labor markets must be refined to reflect the markets’ open and dynamic nature.

Comparing the Impacts of Internal and International Migration on Development

In this section we have grouped together articles that address either internal or international migration separately but within the same countries or regions. The purpose is to facilitate comparison of similarities and differences between the two forms of migration as within the same geographic contexts. In the volume’s afterword, we pursue more systematically what can be learned from comparisons at the different levels of analysis of the family, community, nation, and region.

In India, Priya Deshingkar’s chapter presents an overview of short-term internal or circular migration. In the absence of accurate survey data, she compiles village and regional case studies into a national portrait of how rural villagers take up temporary employment in other agricultural areas and cities in order to supplement and sustain their rural livelihoods. In most instances, short-term migration seems to minimize poverty more than

provide the basis for prosperity or growth. She uses her analysis, however, to convince policymakers, who have largely sought to discourage rural migrants from settling in cities, to take into account the benefits of circular migration in planning broader strategies that might link rural agricultural and urban development.

Prema Kurien analyses the uses of overseas earnings in three ethnically distinct villages in the Kerala state of South India. Although she mentions that some villagers had earlier been involved in internal migration, she focuses her analysis on why migrant families tend to regard funds earned abroad as “easy money” and, thus, to spend them for consumption more than productive investment. She examines how differences of ethnicity and social organization in Muslim, Hindu, and Christian villages affects consumption patterns that result, respectively, in the redistribution of goods throughout a whole village, in more limited support of extended family networks, and in concentrated savings for the advancement only of nuclear family members. One of the implications of her findings is that policymakers would benefit from considering the influence of socio-cultural as well as economic factors when relying on remittances to promote local development.

The volume’s three chapters about Chinese migration focus on different aspects of migration and development but within the same context of China’s shift from a planned to a market economy. Huang Ping and Zhan Shaohua are particularly concerned with the contributions that rural–urban migration can make to alleviate the poverty of rural families and help to close the income gap between rural and urban areas. To save wages and send remittances to families in rural areas, migrant workers in cities endure miserable deprivation in their work, diet, housing, and health. The authors find that remittances sent back to rural areas are used primarily to pay the costs of education, health, and local government administration. While such consumption does alleviate poverty, it diminishes the possibility of remittances being invested in productive enterprises. To promote rural development, the authors advise the central government to increase state subsidies for rural public services, particularly education and health, so as to free up remittances for investment. To help migrant workers, they advocate for access to better employment and services in cities.

Cai Fang and Wang Dewen examine rural migrants’ integration into urban labor markets and their contribution to China’s industrialization and economic growth. They argue that urbanization is necessary for China’s growing private enterprises to take advantage of economies of scale that can increase productivity. Although rural–urban migration between 1978

and 2004 has increased the urban portion of China's population from 17.9 to 41.8 percent, Cai and Wang contend that an even higher level of urbanization will be necessary for China to match the world's most productive economies. Blocking such progress are policies that originated within a planned economy but now discourage economic growth: the old *hukou* system, which restricts migrants' freedom to resettle with access to public services, and state enterprises, which protect urban workers' jobs from competition and exclude migrant workers from employment. To assure that cities will have the workers needed for future economic expansion, the authors urge a deepening of reforms that would result in more open and competitive urban labor markets and increased internal migration.

The research of Zai Liang and Hedeki Morooka has examined the economic contributions to southern China's Fujian Province made by remittances sent home by international migrants working in the United States. The authors found that although migrant families spent remitted funds primarily on consumption, they also devoted a small but significant portion to public welfare projects, such as schools, roads, and public buildings in their villages, and, after pooling funds, to investments in industry and real estate elsewhere in the region. Contesting the notion that remittances must be invested in productive enterprises in order to contribute to economic development, they point out that consumption – particularly housing construction – has multiplier effects that ripple throughout the regional economy and stimulate investment and growth in related businesses. Thus they see international remittances as contributing positively to regional economic growth within the longer history and broader context of national policies that have been implemented since the late 1970s to promote coastal industrialization and international trade.

Shifting regional focus, Manuel Orozco's chapter takes up the development contributions that remittances and other migration-related economic activities make to development in Latin America and the Caribbean. Like Liang and Morooka, Orozco points out that remittances have multiplier effects in the communities and regions where they are spent, but the extent to which remittance spending can promote economic growth, he concludes, depends upon the structure and organization of the local economy and the opportunities it provides for both consumption and investment. Crucial factors include levels of productivity and efficiency in different economic sectors and markets; access to savings, loans, and other financial services through banks and other institutions; and the economic policy environment established by local and national governments. Whether remittances can become integrated into local markets and leverage economic transformation

and growth ultimately depends on the responsiveness and flexibility of local markets and creating such conditions is the central challenge facing policymakers. Orozco also points out that other migration-related economic activities can contribute to the development of migrants' home countries. Referring to tourism, telecommunications, transportation, trade, and remittance transfer businesses as "the 5-Ts," he argues that these links can contribute to economic growth in both sending and receiving countries.

In the final chapter, the editors assess the collective contributions of the volume chapters toward linking the study of internal and international migration and their impacts on development. To do so, we examine the different perspectives that the chapters bring, first, to understanding the relations between internal and international migration, and second, to comparisons between internal and international migration at different levels of analysis. These two approaches then lead us to assess conceptual and methodological innovations that have been introduced in linking research and analysis of internal and international migration and their developmental impacts. Finally, we consider the range of implications for policy that the authors draw from their different research foci and perspectives. This discussion is framed in terms of the geographies of sending and receiving areas and levels of social organization that, we propose, can inform future research and policy development not only related to labor migration and remittances, but also other types of migration and resource transfers that link the processes of migration and economic developments between different socio-cultural contexts.

An abstract graphic featuring several overlapping, irregular gray shapes of varying shades. A prominent white rectangle is positioned in the center, serving as a background for the text. The overall composition is layered and geometric.

Connecting Internal and International Migration and Development

Linkages between Internal and International Migration

Ronald Skeldon

University of Sussex

1. Introduction

The starting point of the discussion must be the figure of 190 million global migrants in 2005 made by the United Nations in 2006, a figure that has almost taken on a life of its own. This is the number of international migrants in the world. Of course, we realize that this figure is based upon the number of foreign-born in states and territories around the world. It includes some mighty strange figures. In Hong Kong SAR (Special Administrative Region), for example, some 3.0 million “foreign-born” are estimated to be in the city. Of course, the vast majority of these are born in China, so are they not internal migrants? Another 27 million persons became international migrants upon the break-up of the Soviet Union whereas previously they were internal migrants. So internal migrants can become international migrants, and vice versa, through the rearrangement of state boundaries rather than through physically moving from one area to another. However, as professionals in the field of migration studies, we understand the figures and know how to deal with them. The figure remains the “gold standard” and the best that we have.

However, this figure of 190 million, representing about 3 percent of the world’s population, does not include the majority of those who move, the internal migrants. Let us go back 120 years to 1885 and Ravenstein’s first “law” of migration: “the majority of migrants go only a short distance.” By focusing our attention on the 190 million international migrants, does it matter that we only look at a minority of the world’s migrants? After all, we have to draw the line somewhere and perhaps the state is a critical dividing line. The state, as a community that offers citizenship and has the capacity to manage its own borders, surely provides the basis for a clear distinction between those who migrate within the borders of any state and those who move from one state to another. My purpose today is not to question the validity of this distinction but to argue that we need to integrate internal and international population movements within a single framework. I argue that it does matter that our discussions of migration have tended to emphasize international migration only, particularly when

it comes to questions of migration and development. Before going on to look at the possible linkages between internal and international migration, let me briefly consider the division between the two types of migration in the context of the leading concerns that have emerged in discussions about migration and development in recent years.

Three themes seem to have emerged as critical areas of concern in the current discussions about migration and development: remittances; the movement of the skilled; and diasporas. The work on remittances has focused almost exclusively on remittances from international migrants. The World Bank estimated that USD\$182 billion in remittances flowed through official channels in 2004, almost 70 percent of which flowed to developing countries from international migrants to the developed world. Vast though this sum seems, the flow comes from a minority of migrants and that minority comes from a relatively small number of specific areas in the countries of origin and is not spread evenly across them. Hence, the remittances, too, tend to flow back to a relatively small number of communities in the source countries. Internal migrants also send or take money and goods back home. Perhaps the amounts sent are not as much per capita as those sent by international migrants, but this is pure speculation. However, and surely more significant from a developmental point of view, the amounts are more important simply because there are more internal migrants, and because these migrants come from a greater range of source areas than international migrants. Data on flows of goods and money from internal migrants are much more difficult to obtain than from international migrants, even though the data on the latter, too, are fraught with difficulties. Recently, I have seen some work carried out by the World Bank that includes remittances from internal sources. I am thinking specifically about the work of Richard Adams, who uses data from Guatemala, so I think that we are moving in the right direction, although much more needs to be done on the developmental impact of remittances, material and non-material, from internal migrants.

The debate on the so-called “brain drain,” the second major theme, remains focused almost exclusively on the international movement of the skilled from the developing to the developed world. Yet, we know that the better-educated tend to move internally as well as internationally, even if “better-educated” is a relative term. In an area where most of the population only has basic education, the “better-educated” are those with a few years of secondary education, and so on. Clearly, such an approach takes us away from a discussion of the highly skilled, but the exodus of the relatively better educated can have profound repercussions on community structures at the local level and on institutions that are central to local development and the

alleviation of poverty. Again, some of the ideas developed for international migration are being applied in the context of internal movements. Oded Stark and his colleagues have tested the model that argues that the number of the skilled in origin areas actually increases with the emigration of the skilled, paradoxical though this might at first seem. Despite the impeccable logic of the model, I do have concerns. If the levels of education rise in a village or a country, what does this imply for future migration? I also think that, given the importance of education policies in promoting national levels of education, we are in danger of confusing association between migration and education change with direct causation.

The third of the major themes and one that is clearly linked to both remittances and to the movement of the highly skilled is diaspora. Again, the focus has been solely on international migration, and I, for one, would certainly wince if we start to look at village-based diasporas. However, one area of linkage might seem appropriate: the role of home-town or migrant associations. We know that clubs of migrants exist at the level of provincial cities and national capital for internal migrants and they also exist in destination areas of international migration. Are these clubs linked together in any way to achieve certain specific goals either in the interests of the home-town or for the migrants in the various destinations? While this is a working hypothesis only, such a hierarchical system of associations might be one way in which internal and international migrants could co-operate to achieve particular development objectives.

In essence, what I am suggesting is that we need to bring studies of internal and international migration together in order more fully to understand the impact of migration on development. We know that the poorest tend not to migrate internationally. However, the poor do move, usually locally and for short periods of time and, overwhelmingly, they move internally. Hence, any focus of migration and its impact on poverty, and vice versa, needs to consider internal migration first and foremost. Unfortunately, the mandate of the recent United Nations Global Commission was on international migration. Thus, by diktat, the majority of the world's migrants were excluded. This approach reinforces that of much recent work on migration. Robin Cohen's magisterial *Cambridge Survey of Migration* was a survey of international migration; Myron Weiner's, *Global Migration Crisis* was a crisis of international migration; Stephen Castles and Mark Miller's *Age of Migration* was an age of international migration, and so on. The word "migration" has come to imply "international migration," leaving the majority of the world's migrants to be considered under "population redistribution" or "urbanization". A "great schism" has characterized the study of population migration. Perhaps there never was a time when

internal and international migrations were brought together, although a few – Wilbur Zelinsky, Robin Pryor, and Brinley Thomas, and I suppose, myself – have attempted to construct more integrated frameworks. It is perhaps time to bring them together, and I am particularly pleased that this volume is attempting to do just that.

Before moving on to more conceptual issues, a few more words on data are required. Simply put, our data are inadequate. Interestingly, when we look at the basic data to analyze international migration we are going back some 30 to 40 years in terms of data on internal migration. We are using simple stocks of foreign born in destination areas. At the Sussex-based Development Research Center (DRC) on Globalization, Migration and Poverty, with Richard Black as director, we have put together a 226 x 226 matrix of bilateral flows. However, even this approach is based essentially on birthplace, or lifetime migration. Anyone who studies internal migration would not be satisfied with lifetime data, place of last residence, or place of usual residence five years ago, or one of the other variants of the direct questions on migration, is considered essential for any basic study of internal population movement. Of course, how many of you can remember back to the days when we had only indirect methods to estimate net migration? Census survival ratios, life table survivorship measures and projecting populations were all part of such attempts to identify areas where out-migration and in-migration were prevalent. We have come a long way in improving the types of migration data around the world, even if there is still a long way to go. Traditionally, those studying international migration worked primarily from flow data from immigration records, while those working on internal migration used census data – the differences in data and methodology reinforcing differences in substantive areas of concern. Today, students of international migration, too, are looking increasingly at what can be gleaned from census and survey materials.

When I use the terms “internal migration” and “international migration” I do not mean to imply that these are homogeneous categories. I am using the terms, initially at least, simply as a heuristic device that I hope will facilitate discussion about if, and how, internal and international systems of population movement might be linked. Let me look at whether internal migration can give rise to international migration and then I will look at whether international migration can give rise to internal migration.

2. Internal Migration Leading to International Migration¹

Here we start with the question of whether the large numbers of rural-to-urban migrants to the largest cities in the developing world spill over to international destinations. Saskia Sassen, in her work on the Caribbean, argued that urban migrants lived in tenuous conditions in the cities and when made redundant either through a downturn in the local economy or through turnover of personnel in a transnational corporation (she looked specifically at women) would look for alternative opportunities overseas. Their employment in the cities would have given them the resources to move internationally and thus internal migration led to international migration. In a Ravenstein-type model we have the larger cities in the developing world acting as a “step” in the migration process. Looking at Asian countries, I think that I can point to similar cases, but the evidence is weak and it also points to other kinds of scenarios. The critical weakness is that of data as, although we can tell how many people from India, China or the Philippines might be in New York City or Toronto or Sydney, rarely can we tell where they come from in those countries. In studies of Filipina domestic workers in Hong Kong, however, we can see that about 28 percent came from the capital Manila, or the immediate surrounding area, but of the balance, we do not know how many might have migrated first to Manila and then, after a period of time, moved on to Hong Kong. Anecdotal evidence suggests that such a pathway existed but the data are hardly definitive.

Looking more broadly, however, we can see evidence for quite different types of patterns: of migration from isolated rural areas directly to overseas destinations, for example. Over two-thirds of the Pakistani migrants in the United Kingdom come from one small area in northern Pakistan, Azad Kashmir, and even from one district within that small area: Mirpur. Over 90 percent of the Bangladeshi migrants, again in the UK as Katy Gardner has shown, come from the district of Sylhet. The question clearly is how did long-distance international migration develop from these districts quite distant from the largest cities. In the case of Mirpur, Roger Ballard has shown that Mirpuris were traditionally involved in boat construction and river trade to the Indian Ocean. With the coming of the British and the construction of railways, the river trade declined and the Mirpuris lost their livelihoods. Alternative jobs were sought on British ships, in engine rooms and as deckhands. Thus, although the Mirpuris were migrants before engaging in migration to Britain, they did not appear to move through

¹ The following sections are extracted and modified from Ronald Skeldon, “Interlinkages between internal and international migration and development in the Asian region,” *Population, Space and Place*, 12, 2006: 15-30.

the larger cities. British ships were also involved in the development of migration from Sylhet in Bangladesh. It looks likely, although research currently supported under the Sussex-based Development Research Center may throw further light on this, that ships involved in the tea trade went directly up to Sylhet and there some Sylhetis were recruited as workers eventually to end up in London. The role of the recruitment of laborers for work on ships in establishing a direct link between origins and destinations is a fairly common theme in the development of international migration to the United Kingdom. Another example is from the villages around Hong Kong from where, in the late nineteenth century, Chinese jumping ship in Liverpool and London established Chinese communities in those cities.

Moving on from the importance of colonial penetration in establishing linkages between specific origins and destinations of migration and trying to bring the story up to date, we can look at Sri Lanka. Until the late 1970s, some three quarters of the international migration from Sri Lanka came from the capital Colombo and the two surrounding urbanized districts. By the 1990s, this proportion had declined to about one third as more and more came from areas in the interior and eastern coast. The role of recruitment agencies, labor brokers, if you like, is critical to an understanding of how the process of diffusion of origin areas out from the capital developed. Michelle Ruth Gamburd has shown how it would be unseemly for women to be seen going into town to look for work overseas. In one area they relied on an ex-military gentleman, in whom they had complete trust, to complete all the formalities that would allow them to leave Sri Lanka for work overseas. Thus, migration to the capital was short-circuited by this process of labor recruitment. Transnational corporations can also facilitate the movement of labor from specific areas of origin to overseas destinations without prior internal migration. American companies building facilities in Northeast Thailand later took their Thai workers with them when they were allocated contracts in the Middle East during the construction boom of the 1970s.

The last example that I will give in this section is from the southern Indian state of Kerala. Kerala has long been known for its internal migrants within India and particularly for its supply of nurses to various parts of the country. As much today, however, Kerala is noted for its supply of men as workers in the Gulf states. However, there appears to be little evidence that the latter built upon the former. The internal migration was primarily of better-educated Hindus and Christians from the southern part of the state, while the international migration was of less-educated Muslims from northern Kerala. Thus, two quite different migration systems appear to have evolved

at different times, each dependent upon the opportunities available to each group at the particular time.

The evidence that I have from Asia shows that the central issues revolve around how both internal and international migration evolve as a response to the penetration of outside forces. Clearly, the national capital city is a key node in this penetration but it is not the only point of intrusion. What we have in the development of internal and international migration is different spatial responses to the penetration of similar forces. Internal migration is not a necessary precondition for international migration. They both reflect the “modernization” of economies or, ultimately, development itself.

Before leaving this question of whether internal migration can lead to international migration, one pathway through which this does appear to occur is through international migration substituting for internal migration. That is, once the supply of internal migrants becomes exhausted, a country will turn to an external source as a replacement area of origin. My colleague at the University of Sussex, Tony Fielding, has shown, initially for the countries of southern Europe and more recently for Japan, that after a period of massive rural-to-urban migration that has led to the depopulation or very slow growth of large parts of the rural sector, domestic labor costs rise and cheaper labor is brought in from overseas. This model needs to be linked with the idea of a migration transition developed by Manolo Abella and Gary Fields where they tried to show that the rapidly developing East Asian economies moved from being economies of emigration to economies of immigration. How the patterns of mass rural-to-urban migration related to those of emigration needs to be assessed as does the linkage between the model and the demographic transition to very low levels of fertility that accounts for the slow or even negative growth of particular age cohorts.

3. International Migration Leading to Internal Migration

While any argument that internal migration might lead to international migration has been shown to be an oversimplification of a complex issue, the case of international migration leading to internal migration is on much more solid ground. Emigration from such areas as Kerala, Mirpur and Sylhet has been such as to create either a vacuum or a demand for labor that has been met by an inflow of internal migrants from surrounding areas. Remittances sent back by the international migrants – some \$3 billion to Kerala alone in 2000 – have generated a construction boom. Local labor has not been able to satisfy the demand and skilled migrants in the form of carpenters and plumbers have migrated in from surrounding

states. At present, as part of our DRC work at Sussex, we have a project to examine the immigration to Sylhet that is looking at the changing use of land, land that has been left idle upon the departure of the owners to the UK. In the New Territories of Hong Kong in the 1960s we know that rice paddy land that had been left unused after the owners left for Britain was rented out to specialist vegetable farmers who came in from adjacent Guangdong Province in China: one type of international migration giving rise to another type of international migration. Also, in the case of Mirpur in northern Pakistan, we know that among the internal migrants drawn into the area by the construction boom brought about by remittances are a number of Afghans who had come into Pakistan as refugees.

Another case is that of villages in Fujian Province in China where the average rate of emigration of the registered population is around 50 percent, although specific rates can range as high as 80 to 85 percent. What is happening in those villages? The data could be wrong. Or the villages could be depopulating. Or immigration from surrounding areas could be filling the vacuum. What we may be seeing in these examples is a Ravenstein movement in stages up a spatial hierarchy. An intriguing research question is whether the internal migrants moving into these emigration-supported islands of prosperity will become linked to the existing networks of overseas migration and whether they too will begin to move overseas, perhaps as employees in a company set up by the original group of emigrants. If this occurs, we have established a direct link between the overseas destination and the origins of the internal migrants, showing how international migration gives rise to internal movements that, in turn, lead to international migration in a complex matrix of mobility.

Policy, too, can be important in directing migration. At Sussex, a Doctor of Philosophy student currently working in southeast Albania is examining a situation where, until a few years ago, the main pattern of migration appeared to be irregular movement across the border into neighbouring Greece. Migrants simply walked across the mountain passes. With international pressure, or when Albania saw that it was in its interest to control this kind of migration, it built a fence and maintained border patrols. The migration then switched to internal movements towards the capital Tirana. Whether, once there, the migrants are satisfied with their position in Tirana or will seek to move overseas through a legal channel will, I assume, be one of the research questions to be pursued.

My final example comes from the return, either on a short-term or longer-term basis, of a small group of wealthy international migrants to their home

country; the overseas Chinese or the Viet Kieu are excellent examples. By establishing business interests in their home country, they can generate the kinds of opportunities that will draw in migrants from the countryside or other parts of the country, international migration again contributing to internal movements.

The examples I have taken come from countries of origin of migration. We could seek linkages, too, in countries of destination. In Asia, immigration did not appear to have developed far enough to have led to any clear linkages between internal and international migration in Japan, Korea or Taiwan, for example. However, in the developed countries of North America and Australasia, linkages have been sought. The successive waves of migrant groups passing from the center of major North American cities to the suburbs has been observed: from white Anglo-Saxon Protestants, through Catholic Irish and Italians, and also Jewish groups, to the new immigrants. As one immigrant group becomes established, it tends to move out of the centers towards the suburbs, freeing up inner-city housing for the next immigrant group to occupy. As more of the later group of immigrants concentrate in the inner city, they may help to push the previous group out, so that we have a self-reinforcing process of international migration leading to the internal migration of the previous group. Here again we appear to have a stage-type sequence of movement involving different migrant groups.

4. Conclusion

My principal purpose in presenting this range of cases has been to show how internal and international migrations can be linked. I am in no way arguing for a simplistic internal-leads-to-international-migration kind of explanation, or vice versa. What we need to do is to look at the whole range of potential destinations available to migrants. Again, I am not arguing that internal and international migrations are the same thing. I still accept that crossing a boundary between one state and another is different from that of moving within the confines of a single state, although in certain cases I think that the differences are blurred and are diminishing. Increasing irregular migration and the creation of areas of “open borders,” as in much of Europe, are contributing to such blurring of any hard and fast distinction between internal and international migration in practical if not in legal terms. By focusing so much of our attention only on international migration we are truncating a unified migration space. The two types are, as I have tried to show, inextricably linked in a great variety of ways. I am pleased to see this meeting considering international and internal migration together, although I also see that we have one paper on internal

and one on international migration in each session. I hope that we can bring these together. It is time to bring both internal and international migration within a single mobility framework. I hope that, in this presentation, I have provided a few pointers to do just this.

Translocal Livelihoods, Networks of Family and Community, and Remittances in Central Peru¹

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1. Introduction

This chapter explores issues of migration and translocal livelihoods in central Peru. But rather than attempting to map out the general characteristics of past and present migration patterns, it seeks an understanding of the sets of interpersonal relationships and cultural practices involved in articulating migrants with their home-base families and *paisanos* (“fellow countrymen”). From this angle, migration constitutes an ongoing process of adaptation within networks of family and community over space and time, and requires an appreciation of the nature of translocality as experienced by the actors involved.²

The main body of the chapter centers on two ethnographic vignettes. The first elucidates the usefulness of a diachronic genealogical case study method for understanding the intergenerational dynamics of multiple family enterprise and migration; the second illustrates the need to focus on how cultural practices and interpretations shape the ongoing lives and relations between family members “at a distance.” Insights derived from these illustrative cases are then applied, in the final part, to the question of migrant remittances. Here I aim to demonstrate the necessity of fully recognizing the socially constructed nature of remittances.

Migration studies often interpret the historical interplay of different migration flows and choices as shaped by a logic linked to transformations in labor markets, production and technological systems, and/or to cultural orientations and values associated with “modernity.” While not wishing to decry the usefulness of such “structural” explanations, this paper adopts a different stance by situating migration in relation to what Unni Wikan (1990) has called “compelling personal concerns” experienced and enacted by social actors. That is, underpinning this chapter is an actor-oriented

¹ I wish to extend a special word of thanks to Josh DeWind for his insightful and encouraging comments on an earlier inordinately long draft, which I was eventually able to slim down.

² Sorensen’s (2002) edited volume adopts a similar livelihoods approach to internal and international migration, drawing upon Caribbean, Latin American, African and U.S. cases.

perspective³ that gives methodological priority to understanding migration processes through the exploration of everyday life situations wherein individuals and groups attempt to resolve their livelihood problems. Such an approach sheds light on how migrant networks, livelihoods, remittances and ideas of “community” and “belongingness” are intertwined.⁴ This point of view does not, of course, assume rational choice though it does accord full recognition of the agency, knowledge and organizing practices of the socially situated actors.

Before entering into ethnographic detail, let me situate the present research and identify briefly its key themes.

2. Migration Research in the Mantaro Region of the Central Highlands of Peru

In 1970, Bryan Roberts and I joined forces to launch a study of social change and development in the Mantaro region, an economically diversified area of Peru located in the Andes some 300 kilometers by all-weather road from Lima (Long and Roberts 1978, 1984). A central concern of the study was to analyze the interconnectedness of rural, urban and industrial mine locations and interests in the configuration of the region. As we explained: “By studying the existing interrelationships of localities and social groups within and outside the region we hoped to avoid making arbitrary cultural distinctions between rural and urban milieux or between modern industrial locations (in our case, the large smelting plant of Cerro de Pasco at La Oroya) and peasant villages” (Long and Roberts 1978, 13).⁵

Central to the study was the movement of people, goods, resources and ideas across a variety of rural and urban spaces. One characteristic of these flows was that they did not conform to the model of a vertically integrated economic or rural–urban system. Although there was some evidence that, either in one generation or over several generations, people had moved from the smaller and more remote villages to Huancayo (the regional capital) and thence to Lima (the metropolis), more characteristic was a variegated

³ For an exposition of the theoretical and methodological fundamentals of an actor-oriented analysis of social change and development, see Long and Long (1992), Arce and Long (2000) and Long (2001). See also Long (1997a, 13-19) for a brief discussion of its usefulness for the study of globalization and transnationality.

⁴ The notion of livelihood “best expresses the idea of individuals and groups striving to make a living, attempting to meet their various consumption and economic necessities, coping with uncertainties, responding to new opportunities, and choosing between different value positions” and pursuing specific lifestyles (Long 1997, 11).

⁵ The main findings of this team research are reported in Long and Roberts (1978 and 1984), Laite (1982), Altamirano (1984b), Smith (1989), and Altamirano and Hirabayashi (1997).

pattern of migration that, from the 1930s onwards, linked villages directly to the mines, coastal plantations, tropical colonization zones, and the labor markets of Lima and Huancayo. All villages in the region were involved to some degree but it was in the more central valley villages that up to as many as 80% of male heads of household had migration experience. Circulatory migration consisted of two types – seasonal migration to the plantations and colonization schemes, and longer-term (averaging three to four years) migration to the Cerro de Pasco mines or to the textile industry of Huancayo.

2.1 The Drive to Urbanize and New Modes of Migrancy: 1970s to 1980s

By the early 1960s, however, migration had shifted markedly towards the larger urban centers, especially Lima, where efforts were afoot to establish import-substitution industries and to strengthen the role of government in job creation in both the public and private sectors. The demand for additional labor that these policies entailed provided an important stimulus for the migration of increasing numbers of rural people from the central highlands to the metropolis. Coupled with this was the desire to secure better educational opportunities for themselves and their children. Some of these city-bound migrants had previously worked in the mines or at other labor centers, but most made their move directly to the metropolis from their home village or town. The earliest migrants were overwhelmingly male (Altamirano 2003).

Eventually some families set up homes in Lima but many individuals, or even entire households, shuttled regularly between Lima and the Mantaro region. In fact the notion of settling down permanently in Lima did not figure strongly in the vocabulary of many, since their perceptions, priorities, and expectations changed significantly throughout their lives, as they faced up to the vicissitudes and shifting opportunities associated with their livelihoods and changing household/family needs. For instance, many migrant families were confronted with critical problems that required frequent visits to relatives or friends back in their village or town of origin. These ranged from having to negotiate with siblings or other kin over the partition of the inheritance of a parent, to helping with the solution of land or other disputes, delegating responsibilities to others for the upkeep of a house or some enterprise they owned, or providing information or advice on questions of health or education.

By 1972 – and despite the drive to establish large-scale industries – almost half of Lima's economically active population worked in very small-scale

commercial, industrial and service enterprises; and of these a generous number of workers (including also apprentices, craftsmen, and owner/managers) came from the Mantaro region (only five hours by road) where educational levels were well above the average for highland locations. Moreover, a significant proportion of these small-scale enterprises, mostly operating in the fields of transport and commerce, were directly articulated with this highland region and its neighboring mining, agricultural and livestock zones. This context laid the groundwork for the emergence of several types of multiple family-enterprises that combined different branches of economic activity with networks of social relations that crossed the rural–urban divide.

Such phenomena pointed to the need to move away from simple bipolar models of migration that focused on the movement from “place of origin” to “place of destination,” or which represented the flows of people to new locations in terms of the “adaptation” or “adjustment” of new migrants to their so-called “host” societies. Instead one needed to treat migratory processes as essentially multi-sited and inseparable from the more general issues of translocal livelihoods and mobility.

Hence exploration of the increasing integration of the Mantaro region into the metropolitan area of Lima required a detailed understanding of the organizing practices and networks that accompanied this process. As many Andean specialists have repeatedly demonstrated, life in the Andes has always been characterized by a high degree of spatial movement between ecological zones producing a variety of products and through well-trodden pathways of trade and administration. Thus the notion of migrating for work to obtain access to additional resources and to improve one’s standard of living was a familiar option for many local householders and there was an abundance of examples on hand of those who had, to a degree, already “made it.” Nevertheless, for relatively poor rural dwellers, the hazards and possible benefits of moving to a shantytown or poor inner-city neighborhood of the metropolis were daunting, and required strong back-up from family, friends, *compadres* (ritual “co-parents”), and *paisanos* (“fellow countrymen”). This conglomeration of factors provided the breeding ground for the emergence and proliferation of migrant associations.

2.2 Migrant Associations and the Web of Rural-Urban Ties

As compared to the rest of Latin America, Peruvian urban life is striking for its large number of migrant associations and other kinds of civic organizations. Many of these can be traced back to earlier periods when

urban growth and planning was taking off. By the early 1970s, Paul Doughty (1970) estimated that there were about 5000 migrant associations in the metropolitan area of Lima.⁶ These associations can be distinguished from other types of voluntary associations, such as sports clubs, churches, political parties and social clubs, by their strong identification with the places of origin of particular migrant groups.⁷ Each association or club is identified by the name of a village, town, district or region and normally restricts membership to persons born in the locality or who have close connections to it (for example, through marriage or having lived there). Although the range of activities and frequency of interaction among members may vary considerably from club to club, the declared aims of each are usually expressed in terms of furthering the social, economic and/or political interests of the home community and of maintaining regular contact among migrants resident in the city. Many associations organize social activities such as dances and sports competitions, participate in religious fiestas which are celebrated in the home area and/or in the urban localities where they now live. Members meet regularly to plan and sponsor development projects for their home communities. Such projects range from major infrastructural projects such as the building of roads, bridges and hydroelectric plants⁸ to more modest renovations of municipal buildings, churches and the like. In addition, through the networks of members, who are likely to be related by kinship, affinity and *compadrazgo* (co-parenthood), individuals from the same village or region (*paisanos*) may help each other in finding employment or assist when someone is sick or suffers bereavement. Some clubs also operate loan facilities, baby sitting circles, and work parties for the construction of meeting places or for other group projects in the city.

2.3 At the Turn of the New Millennium

In 1997, we initiated a restudy⁹ of translocal livelihoods and organizations in the Mantaro region. By this time, it was clear that important shifts had

⁶ Later Altamirano (1984) recalculated the figure, concluding that there were as many as 6000; but since then it seems that they have increased again by another 1000 (Doughty 1997,79).

⁷ In this respect they can be compared to the “hometown” organizations reported in other parts of Latin America and the U.S., as well as to similar urban associations based on ethnic or village affiliation in Africa.

⁸ See, for example, Adams’ (1959) and Grondin’s (1975) accounts of how migrant groups from the village of Muquiyauyo in the Mantaro valley raised a large part of the funds and recruited specialist engineers for the installation of a community-owned hydroelectric scheme.

⁹ The research was supported by NIRP (The Netherlands–Israel Research Program) and was coordinated by myself and Pieter de Vries (Wageningen University), Teófilo Altamirano (Catholic University, Lima) and Moshe Shokheid (Tel-Aviv University, Israel). Two Peruvian PhD researchers (Carla Tamagno and Manuel Gilvinio) and a Danish researcher (Ulla Berg) carried out detailed anthropological fieldwork (Berg 2001).

taken place in migration flows. These were triggered by the political and economic instabilities of the previous 15 years when *Sendero Luminoso* (the Maoist-inspired revolutionaries) and the Peruvian military battled for control of the highlands and strategic urban settlements throughout the country. This led to a large exodus of people from the countryside moving (or being moved) to safe rural zones or to squat on the peripheries of urban centers, thus generating more than a million internally displaced highland Peruvians. Once the political violence had subsided, refugees faced the option of returning to their home communities, staying where they were or moving on. A considerable number opted for “moving on” and for many this meant seeking a new life outside Peru as transnational workers or refugees. Indeed, by 2000, approximately two and a half million Peruvians (i.e., about 10% of citizens) are recorded as residing outside of their country of origin. The cases that follow concern two families from the Mantaro region who were part of this transnational diaspora.

3. Two Ethnographic Vignettes

The first vignette emphasizes the usefulness of a genealogical case-study method for understanding the dynamics of multiple family livelihoods. The second brings out the need to look at how cultural practices and interpretations shape the ongoing lives and relations between different family members who are physically located across national frontiers as vast distance from each other.

3.1 Multiple Enterprise: From “Local” to “Transnational”

The first case concerns that of a family-based multiple enterprise centered in the village of Matahuasi of the Mantaro valley where I first carried out research in the early 1970s. The enterprise combined a number of economic activities ranging from small-scale commercial agriculture and livestock production, to the running of a retail shop, a restaurant, a petrol station, and a fleet of lorries. This multiple enterprise functioned on the basis of a distribution of tasks between members of the Jiménez family. It also financed the education of several sons who eventually migrated to the U.S., while others of the family moved to Lima and Trujillo on the coast.

At the time I was primarily interested in exploring how specific social networks based on kinship, affinity, *compadrazgo* and friendship functioned both to open up and to close down certain strategic business decisions. This was heightened by the fact that Jiménez was in conflict with the Community of Matahuasi over the legitimacy of his purchase of community managed *cofradia* (or church) land. The case revealed that the decisions he took were primarily the result of his responding to certain contingent

dilemmas and exigencies, rather than the outcomes of premeditated, well-planned strategies. In this respect it was the mobilization of existing or the development new social ties that was critical. What I was not so aware of at the time was how Jiménez's investments in his sons' education would both generate new effective external relations and at the same time lead to the demise of the original enterprise.¹⁰

Genealogy 1 (see appendix at the end of this chapter) depicts the Jiménez family in 1972, indicating the family members who were active in the enterprise and their places of residence.

Almost three decades later, much had happened. The violence brought by the Shining Path movement (*Sendero Luminoso*) reached its height in the highlands between 1989 and 1994, when the leader was captured and imprisoned. The economy had run into serious decline, exacerbated by an increase in the national debt due to large imports of cheaper foodstuffs, and agricultural and livestock production dropped. The younger generation of the Jiménez family was now dispersed through internal and international migration, and the trucking business, under the management of the son Atilio, had moved its center of operations to the port of Trujillo on the northern coast of Peru.

At the beginning of 1998 when I last saw Jiménez, the father, he was a frail and sick old man of 93, who struggled to and from the mass to celebrate the fiesta of San Sebastian, the major annual religious festival of the village of Matahuasi, his daughter Hilda by his side. Although the infrastructure of the garage was still intact, it no longer served petrol. However, the shop at Hilda's house was well stocked with fruit, bread and tinned goods. In the 1980s, Hilda had opened a beauty salon in the nearby town of Concepción, which functioned well for some years; but by the early nineties, at the height of the violence, it and the rest of the enterprise went into sharp decline. By 1995, the restaurant, shop, garage and beauty salon were all closed, though the restaurant and the office attached to the garage were rented out. The only remaining income-generating activity of the former family enterprise was the farm managed by the son Walter and the trucks used for transporting merchandise under contract by the daughters Allica and Hilda.

Genealogy 2 (see appendix at the end of this chapter) shows the situation in 1998. Only three of Jiménez's 11 children remained in the village attending

¹⁰ As many previous studies have demonstrated, intergenerational differences in family enterprises frequently cause them to "self-destruct." For more detail on the early history of the Jiménez enterprise, see Long (1979).

to what was left of the original enterprise. The other survivors now lived in Lima and Trujillo and in the southern part of the U.S. and in Europe. The skeleton Genealogies 2a, 2b and 2c provide information on the different branches of the third generation of descendants. These enable one to appreciate how educational, occupational, marital, and spatial mobility factors – especially international migration – have combined to bring about the demise of the original highly successful multiple enterprise, while at the same time spawning a wholly new set of extra-local businesses and professional occupations (both in Peru and the U.S.).

3.2 Three-Generational Family Genealogies

Although it is impossible here to present a full account of the dynamics of the businesses and careers of the younger generations of the Jiménez family, the case highlights the advantage of adopting a diachronic intergenerational case study method that traces the livelihood trajectories and migration histories of individual family members. In so doing it is useful to focus on the reshaping of networks and exchanges between the individuals and families of the senior generation and their descendants. In this instance I was fortunate to be able to build upon baseline data from the 1970s.

Several anthropologists have underlined the importance of three-generational genealogical enquiries for the study of kinship relations and for identifying differential work careers, access to resources and family organization.¹¹ This method is clearly of importance too for understanding the emergence of specific migration movements and for mapping out the shifting livelihood commitments to “home” and the reconfiguration of family solidarities “at a distance.” The changes that take place over time reflect changes in types of work, income levels, education, marriage patterns, social status, cultural lifestyles, as well as language use and sentiments of “belonging.” While it may be possible to track these in a general way through identifying the flow of migrants to their destinations and describing the degree to which they retain contact with their “home” people, a more discriminating analysis requires comparison of different types of persons and their family situations. This can of course be achieved, to a degree, through drawing a sample of migrants representing different social characteristics and circumstances but, in my opinion, a more satisfactory way of framing comparisons is by reference to a common genealogical tree spanning several generations. This allows for the exploration of different social and cultural components as well as destinations. It will also highlight

¹¹ For a discussion of this and examples drawn from Mexico, Africa and Java, see Gabayet (1983), den Ouden (1989), Hüskén (1991) and Wartena (2006).

a central issue in the interpretation of genealogies, namely the patterns of differential response manifested by the different family branches. The Jiménez case brings this out graphically.

The decline and imminent disintegration of the original Jiménez family enterprise over the past thirty years can be attributed in large part to the internal dynamics and social differentiation of the family. It is also due in no small measure to the more general economic and political forces at work in Peru during that same period.

The enterprise fared reasonably well until the beginning of the 1980s, when it was plainly clear that earlier government policies aimed at redressing the inequalities of landholding and property ownership, first through land reform and revitalizing co-operative modes of organization, and then through encouraging the privatization of community lands and market-led enterprise development, had failed to bring any prosperity or stability to the highlands. The first scenario had resulted in an increased presence of the state in the shaping of regional and local development. The second was marked by a decrease in direct state intervention, leading to a severe cutback of government services relating to activities such as extension, credit and technical inputs. Hence both policies contributed to a worsening of the economic conditions in the highlands and the country at large, and to a growing national debt exacerbated by financial and other mismanagement. This increased the vulnerability not only of the rural and urban poor but also of the middle sector, including teachers and other government employees, the self employed, and owners and workers in medium and small industries.

In the face of increasing livelihood difficulties and poverty, which was especially concentrated among the rural highland population and in the poor urban settlements surrounding the large cities throughout Peru, there emerged various forms of social unrest. Eventually this took the shape of direct-armed resistance to the state, mounted primarily by *Sendero Luminoso* (Shining Path). Although in the early days the insurgency did not unduly affect the Mantaro region, by the end of the 1980s and until it peaked in 1992 it had massive repercussions for the people of the Mantaro valley, its surrounding pastoral highlands, and the city of Huancayo.

Not surprisingly these economic and political events disrupted the running of Jiménez's enterprise. It must also have affected decisions made by members of the family as to whether to return to Peru from the U.S., or to the village from Lima, or concomitantly to leave Matahuasi for safer havens. At certain times members of the Jiménez family in Matahuasi

sought refuge in Lima. It was not practical to move to the nearby city of Huancayo, since this had also become a center of violence and was filling up with refugees from the surrounding southern highland regions, where *Sendero* had its garrisons. The Peruvian military, in a bid to dislodge them, evacuated or drove out a large proportion of the population.

Under these conditions petrol was difficult to obtain and many garages were unable to find or pay for spare parts, including that of the Jiménez family. In addition, income from petrol sales had dropped because of the reduced road traffic in the zone, and this undoubtedly affected the restaurant linked to the garage. There were fewer passers-by and families or groups were less willing to hire the location for receptions because it had become dangerous to gather in public, especially at night. Support from a wide spectrum of Matahuasino residents was crucial throughout these years but Jiménez and his family did not always find this forthcoming because of ongoing tensions between them and the community and municipal authorities. The out-migration of Jiménez's sons was also a critical factor since this reduced the amount of labor available for the various branches of the enterprise. By 1998, only three of Jiménez's children remained living in Matahuasi.

From a family united around a multiple enterprise in Matahuasi, the Jiménez family is now spread over a large part of central and southern Peru and into the U.S. and Belgium. This widespread network has resulted in significant social and cultural differentiation within the family, with some members and branches retaining greater contact than others. While a few individual families still retain an interest in their Matahuasino roots, traveling back to play a role in village celebrations and Patron Saint fiestas, others have detached themselves from these influences and have sought to "re-invent" themselves as Americans, choosing English American names for their children, putting them through American educational institutions and building household living styles around American values. Except for "Eric Hutton," the second generation of Jiménez's sons has accommodated itself to both Peruvian/Latino culture and American values. That is, they perform some kind of balancing act by marrying Latinos based in the U.S. and living a mixed Latino/American way of life. For first generation migrants family life was difficult, and particularly hard for the women to survive without the close support of their natal families. Thus it is not surprising that the daughters-in-law married to Jiménez's sons living in the U.S. have each had marital problems leading to divorce and their return to Peru. On the other hand, his daughters remained living in Peru.

The days of the Matahuasi-based multiple family enterprise are now numbered. The interconnections between its various branches of activity have broken apart; it is undercapitalized and will undoubtedly be dissolved

on Jiménez's death when his children attempt to claim their inheritance. The branch of the family that is involved in the running of transport enterprises in Trujillo and Lima may benefit from this, but in any case they will certainly continue their own entrepreneurial activities. Those in the U.S. are heading for new social lives. From the humble roots of a highland village in Peru, the children and grandchildren of Jiménez are carving out important business and professional niches for themselves in the U.S., and as a consequence are likely to become less "transnational" than they were before. Their families are now firmly rooted in Hispanic-American life worlds and appear to be more culturally, socially and emotionally at home and secure there than they could ever be in Peru.

4. Transnational Lives in Italy and Peru¹²

The second vignette centers on the experiences and communicative practices of a mother living in a poor neighborhood of Huancayo city and her two daughters working in Milan, Italy. The case highlights how the mother at home successfully inserts herself into the transnational worlds of her daughters, thus influencing their daily decisions, livelihood strategies and social commitments; and on the other hand, how her daughters reshape the life circumstances and dreams of the mother. The means of communication (i.e., weekly phone calls backed up by letters giving news from both ends) keep both parties in close contact and make it possible for them to engage with each other's ideas, feelings and plans for the future. During these exchanges various cultural modes of practice and understanding concerning family welfare and solidarity are conveyed and reaffirmed. The example is especially interesting because it demonstrates the considerable extent to which close kin separated by thousands of miles and experiencing very different daily routines can nevertheless shape each other's aspirations and conceptions of the worlds in which they live. This kind of process of course lies at the heart of transnational lives. Only detailed ethnographic research of the kind described below can reveal the intimacies of such "compelling personal concerns."

4.1 Camila and Her Two Daughters in Milan

As I mentioned above, Camila lives on the outskirts of the city of Huancayo. She fled, together with her husband and five children, in the early 1980s from Huancavelica to Huancayo to escape the mounting violence inflicted by *Sendero* and the army. She eventually became separated from her

¹² This example is taken from the research of Carla Tamagno who was a member of the research team put together by myself, Teófilo Altamirano and Pieter de Vries to carry out research on "Migrant Networks, Livelihoods and the Cultural Construction of 'Community' in the Central Highlands of Peru". For further details on the conclusions of her research, see Tamagno (2002 and 2003).

husband who sought refuge and work in the *selva* (tropical region of the Amazon). At that time a large population of refugees from Huancavelica and Ayacucho had built temporary shelters on the fringes of the city, where they occupied a piece of unused private land. Gradually, the space was transformed into a new neighborhood composed of a mosaic of small wooden and adobe houses and numerous small shops and workshops (e.g., tire-repairers, hardware shops, restaurants, hairdressers, retail stores, bars and informal market traders). A large proportion of the population worked as day laborers in construction, transport and agricultural enterprises. Yet despite all this economic activity, most households continued to face a precarious living, especially those without adult men.

4.2 Critical Moments in the Lives of the Daughters in Milan

Eventually, after some years of schooling and a period working as child minders and domestic servants in Lima, Camila's two daughters (first one and then the other) seized the opportunity to leave Peru to find work in Italy. This came through Ines, their mother's brother's wife, for whom they had worked as nannies for her children. Ines has many relatives abroad and two cousins who operate a business in Lima recruiting Peruvians for domestic work in Europe. She agreed to assist them to leave the country and it was proposed that they head for Italy. The cost of the migration arrangements were guaranteed by Ines and her husband, who offered their house in Lima as security for the 6,000 dollar loan needed to finance the first journey. Once in Italy and working, the first daughter was able to pay off the full sum in only eight months, and on the basis of this, the second daughter could join her. Each of them was routed through Spain and France to reach their final destination of Milan. Thus, by 1997, both were settled there working as domestic carers for the elderly.

Since then Camila's daughters have exchanged regular news with their mother, describing the "unforgettable experiences" they had undergone, and assuring her that they were doing fine. The writing of letters plus regular contact by telephone once a week became the *modus operandi* for keeping in touch. Something of the content of these exchanges is captured in the following extract of a letter written by Rita, the elder daughter, in 1998:

Mum, now I have got used to being here, there's everything here. Nothing is lacking: food is plentiful and everything is delicious. Now, I only have to clean two living rooms and the bedrooms and serve young Santiago [the handicapped son of the Italian family], who curses me when I don't understand

him but after your helpful advice [concerning “winning affection”], he’s been more quiet. I’m also in charge of the laundry. I use the washing machine and clothes come out dry.

Someday I will buy you one. I have to do all this. But, since I finish quickly, I help Karina (the cook). She is just like you and always gives me the best food..... Mrs. Marina (the owner of the house) already loves me because, she says, I am a good worker. I’ve told them that you taught me all that I know and they say: “Your mother must be a good woman”. That is why she gave me the clothes I sent you. That is why I want you to buy them alpaca sweaters and send them to me. Could you also buy them some nice handicrafts from Peru (tell Pedro [one of the sons] to choose them) and send them to me.¹³

In replying to this letter, Camila re-emphasizes the importance of “winning affection” (*debes ganarte su cariño*) from one’s employer and significant others when encountering difficult life circumstances, especially those associated with being a migrant. She also mentions the need to enroll the help of employers in the struggle to legalize one’s work and residence status. On other occasions, she offers advice on how to proceed as regards social contacts and boyfriends. In one particular instance – when one daughter is lauding the virtues of her new “handsome Italian” boyfriend – the mother decides to test the propitiousness of this relationship by means of divination through casting grains of maize. From this she concludes that going out with him would not be a particularly good idea. She telephones the daughter to instruct her to “drop him” immediately! On another occasion, she argues, again on the basis of divination, that the elder daughter should now present her documents for legalizing her residence – she stresses this is a positive time to do so, but suggests that the other daughter should hold back and present her documents much later. If not, then events may go awry!

These snippets of social life communicated internationally by letter and telephone present a snapshot of the ongoing two-way flow of information, ideas, values, understandings, images, discourses, influences and beliefs

¹³ Later the mother did send the alpaca sweaters and craft gifts as requested. She also got her washing machine and several other items for her house. In 1998, the daughters sent \$1,500 to have the telephone installed; a further \$5,500 were deposited in her bank account which they had recently opened, of which \$2,000 was to cover the costs of buying amulets for good fortune for each of the daughters and the presents they gave to their employers. Hence the letters and telephone calls that functioned to reaffirm regularly their bonds of family solidarity and affection were buttressed by relatively large cash remittances.

that take place between migrants and their kin and friends back home. The case offers interesting insights into this process. In the first place, it brings out the degree to which “home-grown” cultural practices can penetrate the ongoing everyday lives of distant migrants and thus shape their decisions and social relations. Secondly, it suggests how migrant perceptions of their host society and even their attitudes towards specific persons can be shaped by the information and advice they receive from their “home” communities and “homeboy” migrant networks. And, of course, the reverse holds for the influence that migrants have on their relatives and friends at “home.” Although none of this is peculiar to transnational situations – since similar observations can be made in respect to migration within countries – how this works in transnational contexts remains a major challenge for research. Indeed one can argue that the advent and dissemination of new high-speed modes of communication throughout the globe has the potential of strengthening rather than dissolving identities based on locality, ethnicity and nationality. In this way, the benefits of transnational networks and communication may be utilized for the pursuit of more parochial ends.

A further implication is that, just as families and community groups spend a great deal of time and effort maintaining connections with overseas kith and kin, so too is the Peruvian state deeply concerned with maintaining relationships – political and economic – with its national diaspora. Currently, Peru has one of the highest rates of out-migration in Latin America (UN 2002; Altamirano 2000). Recently the Ministry of the Exterior, through its network of Peruvian consulates throughout the world, has been pursuing new policies aimed at extending its reach into the diaspora to encourage its nationals to invest some of their considerable financial and social resources in joint development ventures in Peru.¹⁴

All this points to the importance of carrying out detailed studies on the types of communicative practices and their symbolic contents used by migrants for maintaining home contacts and for processing their everyday experiences. Previous research on Latin American migration – both rural-urban and transnational – has documented how migrants in external settings maintain their connections with their home communities while also forging new kinds of individual or collective ties in their “receiving” locations.¹⁵

¹⁴ This can be compared with Mexico’s attempts to develop effective state-citizen programmes aimed at encouraging entrepreneurial partnerships with U.S.-based businessmen of Mexican origins. During his period of Governor of Guanajuato, Vicente Fox spearheaded the *Mi Comunidad* program (Byrnes 2003); and there exist similar initiatives, such as *Tres Por Uno* in the State of Zacatecas that matches remittances with government grants, and in Guerrero migrants can also apply for similar assistance.

¹⁵ An excellent illustration of this dispersed pattern is Paerregaard’s (1997) detailed migration ethnography that explores the interconnections and cultural universes of rural and urban families

There are, for example, many studies that highlight the importance of *compadrazgo* (ritual kinship) relationships, group cooperative efforts (entailing the organization of *faenas* or collective work parties), fiesta sponsorship, and participation in “hometown” associations (what in Peru are called village or regional migrant clubs), religious brotherhoods, and public festivities. These continue to be important for understanding the social organization of translocality but are nowadays underpinned by new forms of media communication – initiated at both ends of the migration chain – such as e-mails and other forms of internet communication, satellite-based phone calls, circulating photographs, and the making and viewing of videos. We should add to this exposure to global radio and TV programmes – especially those that explore topics that are close to the situations and experiences of migrants. That is, we need to know precisely how these help shape and maintain the various social, political, economic and emotional connections between migrants and their relatives and friends at home. What memories, sentiments and ideas about “progress” and “modernity,” for example, are communicated and reinforced? What cultural commitments, world views and specific social relations are represented and reasserted in the migrant situation through these new media communications? And how do the “old” and “new” communicative practices gear into each other? To answer these and related questions we need to build more effective ways of constructing multi-sited ethnographies of migration.¹⁶

Below, I extend these observations and queries to underline the significance of remittances in maintaining translocal relationships and their impact on processes of local and regional development. Once again, the argument draws upon data from central Peru.

5. Social Embedding of Remittances

Several recent publications have emphasized the importance of extending the notion of “remittances” to cover the social and cultural components involved in migrant transfers of cash, capital or goods to relatives and friends in their home community (Levitt 1996; Goldring 2004; Sørensen 2004, 2005). A second argument is that remittances should not be conceptualized simply as a one-way process since obviously we need also to pay attention

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originating from one southern Andean Peruvian community, which eventually become part of a global Peruvian diaspora to the U.S., Europe, Japan and other Latin American countries. Such networks of persons and places are bound together by individual and “collective” memories and images of common origins and shared places of migration, as well as by a sense of belonging to some kind of “third culture,” somehow common to all such intercultural migrants.

¹⁶ Ulla Berg of New York University is currently carrying out ethnographic fieldwork among Peruvian migrant communities in the U.S. with a view to exploring these kinds of questions. As anthropologist and documentary filmmaker, she is well placed to capture the performative and communicative dimensions involved.

to the flows of goods, resources and socio-cultural items from the home base to individual migrants and their families. The dynamic of remittance flows is essentially a dynamic two-way process. Indeed the very idea of remitting benefits between families and communities entails understanding how these transfers are symbolically framed and practically enacted.¹⁷ A third critical point concerns the distinction between individual/family transfers as against more collective ones. The latter of course embraces the organized collection and donation of funds, materials, technologies, and advice based on specialized forms of knowledge. Such collective endeavors have been especially important in supporting local development projects in the Peruvian highlands and many were planned and launched by formally recognized migrant clubs and regional associations.

Savings or investment capital amassed by individual migrants or organizations has sometimes been channeled through a system of matching funds by government development agencies. Banks and financial exchange institutions have pushed for more efficient modes of transferring migrant funds, with a view to reducing dependence on private brokers who tend to charge high fees. The exercise of making these transactions much more transparent and fair, however, also has some disadvantages for the migrants themselves, since the stress on greater transparency and control naturally gives governments increased leverage on how these financial resources are to be channeled and used.¹⁸ Due to distance and international frontier problems, these latter issues are far more critical for international migrants.

In the Mantaro examples, I provided a few snapshots illustrating the flow of remittances between migrants and their families and between migrant associations and village authorities or local organizations. Such flows are commonplace throughout Peru for all types of migrants, although precise details on their form, quantity and frequency are often lacking. For centuries the Andean region has experienced a constant movement of people between different ecological zones and centers of employment,

¹⁷ Pnina Werbner's study of capital, gifts and offerings among British Pakistanis provides an insightful benchmark for analyzing the issue of remittances. As she puts it: "Labor migration as a social relationship spanning distant countries has itself generated its unique expression of gifting. Labor migrants are, in a sense, incomplete persons, who must re-establish a bond of substance with persons left behind" (Werbner 1990, 203).

¹⁸ These matters have recently been of great concern to a number of international development agencies, since the level of international migrant transfers has sky-rocketed over the past decade. In 2004 alone, more than 45 billion U.S. dollars flowed from the rest of the world to Latin America and the Caribbean in relatively small amounts of between \$200 and \$300 dollars each month. Workers mostly send remittances via money transfer companies or local neighborhood operators and not through banks. This makes it difficult to include these flows in formal financial statistics. For a fuller discussion of the economic and social dimensions of migrant remittances, see de Vasconcelos (2005).

whose length of stay has varied according to regional circumstances and type of activity (that is, whether agricultural, pastoral, mine- or trade-based). Some movements eventually led to the resettlement of families and even of whole communities, thus reshaping the social landscape.¹⁹ These processes deepened in the twentieth century as urbanization accelerated.

One useful source of information on remittances is the extensive anthropological literature on Peru, which contains much useful data on the interlocking of rural–urban and local–global livelihoods. Consider for a moment the case of Camila and her two daughters in Italy. This example draws attention to several additional components. In the first place, they are single women, which is not at all exceptional since the number of unmarried females migrating for work in Europe has recently increased markedly. Even though they were required to repay the costs of transport and administration to the brokers in Lima who arranged their travel and illegal entry into Italy, between them they managed to do this, as well as to bank a total of US\$35,000, within only four years. A principal reason for this was that, as carers of elderly people, they received, on top of their wages, free board and lodgings. This meant they could save a fairly large part of their wage-packets. Thus, with diligence and much hard work, they managed to accumulate considerable savings. Eventually they were able to remit to their mother about \$300 each month, and in 2000 they funded, to the tune of \$30,000, the building of a new house for her. This placed the mother in the top rank of housing for her neighborhood, and by dint of this she became the brunt of envy and sorcery (*brujería*). Of course, remitting so much required the daughters to keep a close tag on the mother's expenditures, especially in regard to earmarked investments.

The two daughters were strongly committed to improving the life conditions of their Huancayo family. As they put it: “We must progress. We want our brothers to become professionals and to achieve better social positions. We wish the best for them.” Like most other households in Huancayo and the villages of the Mantaro, Camila used a portion of the monthly remittance she received to supplement her consumption needs: that is, to buy food, pay for the education of her remaining children and to purchase clothing. The rest of the money was destined for major investments that would be of benefit to the daughters on their return from Italy.

In contrast to this individual family case, Tamagno (2003: 315–30) provides an account of how the Mayor of Huachac (a rural district with high out-

¹⁹ Thierry Saignes (1995) documents, for the seventeenth century, the central importance of internal migration, resettlement and social change in the southern Andes, emphasizing the strong bonds maintained between migrants and their places of origin.

migration and close to Huancayo) organized to get different groups from his municipality living and working in Milan, Los Angeles, and Lima, to commit themselves to raising funds for public works. In August 2000, the groups were visiting the *pueblo* to take part in the annual celebrations of the district's Patron Saint (*Santo Domingo de Guzmán*). The mayor invited the leaders of each migrant club to attend a special meeting at the municipality to discuss ideas for local development projects and to suggest particular projects for which each group would be responsible. The interest was great and many of the leaders and key "movers" from the three migrant groups arrived with ideas for priority projects. However, in putting forward their priorities, each revealed their own ideas of what "development" entailed. All showed interest in maintaining links and strengthening their own internal solidarity as migrant clubs, but in the end their ideas for local projects diverged strikingly. The Italian group opted to fund an up-to-date telecommunications center in Huachac with a central telephone exchange and internet booths for public use. This they saw as a practical way of strengthening their ties with family and friends back home, thus making it easier for family members to make calls or send emails from the village. The American "Huacquinos" chose the idea of building a commercial center modeled on some U.S. type of mall or gallery of shops and service centers, including restaurants, grocers, and stationery shops. And those from Lima argued for an *Instituto Superior* that would fill a major gap in the provision of educational courses and vocational training for the young of the municipality. This, they argued, would better prepare them for obtaining skilled and professional jobs. The argument was of course premised on the notion that it was principally through education that one achieved social mobility, just as they themselves had done in the 1960s and 1970s. Yet, in arguing this in 2000, they chose to ignore the fact that, in the 1980s and 1990s, most professionals in Peru had in fact suffered a real decline in their incomes and purchasing power.

As Tamagno shows, these contrasting development narratives expose the self-images of each group and how they envisage the needs of the village. At the end of the meeting, each migrant group was required to pledge itself to collect a certain sum of money earmarked for a specific local development project. These offers were then recorded formally in the *Libro del Oro* (the village financial ledger) as a way of sealing the agreements. Some 50 persons from outside (from Lima, Spain, Italy and the U.S.) attended this meeting and witnessed the commitments made. In addition, Andres, a key leader in the Italian group, boasted that he had already raised, from relatives and friends in Italy, some US\$3000 towards the costs of this year's fiesta and had himself donated an additional sum of US\$7,500.

5.1 Remittance Flows between Cajatambo and Lima

Let us now consider a contrasting case involving remittances within the context of internal migration (Rodríguez Doig 1994). The study is unusual in that it identifies and measures the types, quantity and frequency of the two-way flow of remittances between a central Andean region and the city of Lima/Callao. The highland region in question is Cajatambo located northeast of Lima. The zone is predominantly a livestock and milk producing area, combined with the cultivation of wheat, maize, potatoes and vegetables. It is located about a four-hour journey by road from Lima.

In comparison with the Mantaro region, the area is much less diversified and dynamic economically and educational standards are also lower. There is regular migration of (mainly) young men to Lima seeking work and educational betterment. Out of a sample of 613 persons associated with the *Club Juventud Cajatambo* (Cajatambo Youth Club), 63 percent were recorded as living in *El Cono Norte de Lima* among a number of urban squatter settlements (often called *asentamientos populares*) that were originally founded through land invasions in the mid-1980s.

In 1989/1990 research was conducted to map and analyze the economic, social and cultural flows between the region of Cajatambo and the urban settlements close to Lima where Cajatambo migrants live. Some 35 households on the outskirts of the metropolitan area were selected for detailed interviews, and various documentary sources were examined for information on the flow of goods, parcels and letters. Interviews were also conducted with key traders involved in the commercialization of livestock and agricultural products. Finally, twelve weeks of messages and information put out by a special “outreach” radio program (*Programa Radial “Amanecer Cajatambino”*) targeting people from Cajatambo were reviewed. The main results of the household interviews were as follows:

Food products (or what the author calls “*productos de subsistencia*”) consisting of potatoes, maize, meat and milk products were sent by families in Cajatambo to relatives in Lima and the latter reciprocated by supplying them with a range of processed food items, medicines and clothing. 68.6 percent of the sample said they received products from Cajatambo and 74.3 percent said that they sent items home. In both cases these were for direct consumption. Information on the frequency of flows indicated that 62.5 percent of households sent items every month (some as often as once a week), 8.3 percent once every three months and the remainder (29.2 percent) only at the time of Patron Saint fiestas and for New Year celebrations.

In some cases, families would regularly send a large volume of foodstuffs. One exceptionally large household based in Cajatambo with several sons and daughters living in Lima, for example, sent once a month a huge package of about 50 kilograms of food made up of 6 kg. cheese, 1 kg. butter, ½ kg. *manjarblanco* (blancmange), 8 guinea pigs, half a lamb, 4 to 5 kg. fresh beef (when available), 25 kg. potatoes, 6 to 7 kg. maize cobs, and about 3 kg. each of wheat and maize flour. Yet even so, the average for the sample was still calculated at around 20 kg. consisting of potatoes, maize, wheat, beans, dried meat and cheese.

Rodríguez Doig (1994) comments that many of these foods were highly-valued culturally by migrants because the foods formed part of the favoured cuisine of the Cajatambo region. However, several interviewees also pointed to the fact that this was a way of saving on expenses since the prices of some items imported into the region were in fact lower in Cajatambo than in Lima.²⁰ Although on occasions relatives from Cajatambo would visit Lima households and *vice versa*, the study reveals that much of the movement of goods was organized in bulk. That is, in order to reduce the costs and speed up transportation, families would cooperate in preparing packages together and delivering them to microbuses that run regularly to and from Lima. It is normal practice in Peru for long distance bus services to carry parcels and assignments of goods for special delivery. The registry of goods transported to Lima from 1988 to 1989 kept by the *Empresa Municipal de Transportes Cajatambo* indicated that the monthly volume of packages (*canastas familiares*) varied between 20 and 50 a month, each weighing around 20 kg.

On the basis of these figures and an estimate of the basic food consumption needs for migrant families in Lima, Rodríguez Doig concludes that around 50% of migrants' subsistence requirements were met by such remittances. Although this may seem a high figure, it is worth recalling that the study was undertaken at a critical period when *Sendero* was still active in the poorer urban settlements of Lima and the nearby highlands.²¹ It was also a time of deepening economic crisis when industries shed a lot of jobs, real wages dropped sharply and the percentage of households in Lima living in chronic poverty had grown from 5 percent in 1985/1986 to 20 percent in 1990 (Ypeij, 2000, 26).²² Hence the high level of food remittances from

²⁰ For example, between 1987 and 1988 the Municipality of Cajatambo offered lower subsidized prices for sugar and rice produced in the coastal zone and transported to the highlands.

²¹ Rodríguez Doig records that at the time of his study (in February 1990) *Sendero* attacked two vehicles in Cajatambo, killing five policemen and three peasants.

²² In August 1990, the newly-elected President Fujimori implemented a package of tough economic measures designed to tackle the rapidly deteriorating economy. During this period, Annelou Ypeij (2000) undertook field research on small-scale entrepreneurs (male and female) in Lima to document how they responded to these worsening conditions. She concluded that, although

the countryside appears consistent with the urgent need to supplement the livelihoods of city-based migrant households.

In the same manner in which urban households were assisted with food items by their families back home, so were migrants remitting products to them. These were generally products that were highly priced, scarce or non-existent in Cajatambo. Fifty percent of senders declared that they mainly dispatched food provisions and clothing, while the rest included also medicines, agricultural inputs such as fertilizers and pesticides, and money. As for the frequency of dispatch, this was much less often: 30.8 percent said they sent items at least each month, 19.2 percent each three months, 42.3 percent “occasionally” and 7.7 percent did not know precisely. In contrast to the types of products sent from Cajatambo, the goods dispatched from Lima were by and large acquired through the market; and even if home-made or home-grown, their ingredients or raw materials would most likely have been purchased. Hence, the picture that emerges for the early 1990s is that about three-quarters of urban households with roots in Cajatambo sent considerable quantities of processed foodstuffs and other consumer items to family members in Cajatambo.²³

A similar two-way process applied to cash remittances. Of the total household sample, 22.9 percent reported sending regular money payments to Cajatambo, of which half claimed to remit in fixed amounts every one or two months, while the rest said they sent money only occasionally. The majority of these payments were made to fathers or fathers-in-law (62.5%) and the rest to sons living in the highlands. However, the study encountered some difficulties in establishing the precise amounts transferred, since it emerged that there was a wide variety of ways of sending cash, both formal and informal. Frequently amounts were sent as needed via relatives or friends, though it was impossible to calculate with any accuracy the amounts.²⁴ Like the goods dispatched, the peak transfer periods for cash coincided with the timing of fiestas and New Year celebrations.

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in many cases their incomes were substantially reduced, they were often able to stay in business by devising ways of supplementing their household earnings. There were two ways in which they could do this: the first involved unemployed family members (married women, children and pensioners) seeking additional ways of earning a living; and the second required lowering the cost price for the sale of their products or services by reducing the costs of labor. One way in which this could be done was by replacing paid laborers by unpaid family workers. The latter were often recruited through kinship connections in their village of origin and taken on as apprentices (*ayudantes*) (2000: 140-1, 120-3).

²³ Unfortunately, due to the sheer heterogeneity of industrialized food and consumer products packaged for delivery to Cajatambo, the study was unable to provide a breakdown of the volume and contents of shipments.

²⁴ The estimates for money transfers via the *Empresa Municipal de Transportes Cajatambo* were very low. Rodríguez Doig estimates for the 35 households, for the period May to December 1988, that on average a total of US\$ 375.5 were sent from Lima to Cajatambo, as against only US\$132.6 from Cajatambo to Lima. This makes sense since it is the migrant household that is likely to have greater access to regular cash earnings.

Furthermore, the precise composition and volume of products and cash sent varied according to the strategic priorities of the families involved. For example, if a close relative needed urgent medical attention, or children school uniforms, books and stationery, or the father or mother required support to fulfill their obligations as sponsors of some social or religious event, then the urban-based family member/household would normally do its utmost to respond to these needs. On the other hand, dramatic changes in the national economy, such as runaway inflation that grew at an average rate of 30 percent per month in 1989 or the newly imposed policy measures known as Fujishock that followed clearly impacted on both rural and urban livelihoods and their interconnections. The deal that Fujimori struck with IMF entailed the ending of subsidies on primary subsistence goods, increases in taxes and an overnight unimaginable 3000 percent increase in the price of petrol which had knock-on effects on the price of public transport, electricity and medicines. Even, the more positive decision to hand-out one-off bonuses and to increase the legal minimum wage by 400 percent did little to alleviate the impoverishment of much of the population (Ypeij, 2000, 27). Thus, as one small-scale shoemaker summed it up:

I didn't have much stock on the day of the *paquetazo* (Fujishock). I had about three dozen shoes, that's all. I didn't have any food either. We managed to survive because my cousin (who shares the same house) had just come back from the mountains and he had potatoes, grain and that kind of thing with him. That was our biggest help. It was enough to get through the *paquetazo*. We spent very little money. I did all I could to sell. I ran up debts and used the money to buy food. When the *paquetazo* was over all I had was debts, I had no materials (to produce) in the house, I had nothing. I didn't make anything for two or three months. I just sold, because I had borrowed money from friends and used it to buy items for trade. (Ypeij 2000, 28)

In the face of such economic and political vagaries, many poor and even middle-income households become extremely vulnerable to chronic poverty and illness. It is only through the nourishing of close social ties with kin, *paisanos* and friends in the city and countryside that they can find a way out. The critical component of such networks is the pattern of regular exchanges involving goods, services, information, ideas, and social commitments that evolve between the parties concerned. As illustrated at several points in this paper, such networks are not simply composed of individual sets of ties. They also often entail group activities and associational relationships based on some pre-existing and negotiated values or modes of social practice.

For all the above reasons, the exploration of the nature and significance of remittances requires an in-depth understanding of the flows, meanings, organizing practices and interconnected lifeworlds of migrant and non-migrant actors. We also need to examine how these interlocking livelihood arrangements are shaped and reconfigured by the various contexts in which they take place. It is important, therefore, not to abstract remittances from the rest of the social fabric. Flows of particular goods and money are framed by the values and meanings that are attached to them and by the nature of their specific transactions (Long and Villarreal 1998). This requires that we enter, once again, into that difficult terrain surrounding the issue of “commodity” versus “non-commodity” values (Long 1997, 226-44; 2001).²⁵ While economists may continue to insist that goods and cash payments are best understood in relation to market principles and commodity prices, the social scientist needs to stand his or her ground and argue that an understanding of remittances in the context of migration and multiple livelihoods necessitates a good grasp of issues of social and cultural embedding.

6. Conclusion

This paper has stressed the need for a perspective on migration that addresses both the multiplicity and interconnectedness of different types of spatial and geographical movement and livelihoods, as well as the significance of transnational processes as enacted and perceived by the social actors involved. Underlying such a view are misgivings as to the usefulness of drawing sharp distinctions between types of migration – for example, between “internal” and “international” or “temporary” and “permanent” movements – since such typologies tend to segment and obscure the kinds of cross-generational relations that link different family branches and individuals engaged in migratory experiences at different stages in their lives. Moreover, as the ethnographic vignettes show, there is no great ontological divide between those living “at home,” or in some “distant city” or “transnational world.” Indeed, their life courses intersect through the translocal dynamics of familial reproduction and change. This is particularly striking when family groupings are implicated in a diversity of livelihoods or multiple family enterprises. Such modes of translocality of course play a critical role in shaping both local and transnational development processes.

²⁵ Here we must acknowledge the extensive anthropological literature on gift exchange and “gift economies” in which both commodity and non-commodity values are intimately intertwined. For a detailed critical assessment of this work and how it relates to the commodification of culture in contemporary societies, see Frow (1997, Chapter 3: “Gift and Commodity”).

This suggests that, instead of aiming to categorize migration into types, we might do better to explore migration flows and patterns of geographic mobility from the standpoint of how they relate to the reproduction or transformation of family and community livelihood strategies and the kinds of social identities or “belongingness” they generate. Migration itself is too gross a starting point.

This issue is, of course, fundamentally methodological because the validity of the argument turns upon how one investigates these complex processes. Even if we are primarily interested in comprehending, for example, the impact of the broad economic, political and cultural changes associated with the emergence of an increasingly “global” and “globalizing” world, wherein geographical mobility, rapid transportation, and instantaneous communication of information are the norm, might it not be better to begin at points where specific actors and sets of actors experience, grapple with and attempt to give meaning to these processes in their everyday life circumstances? This, in short, is to make the case for in-depth ethnographic studies that enable the researcher to capture the making and remaking of the social and cultural lives of those “on-the-move” as well as those who remain at home. It also allows us to comprehend better how remittances in the form of goods, money, messages and services are embedded within ongoing social relations and moral imperatives. In order to facilitate this approach we need not only to develop appropriate field methods but also to evolve a suitable analytical vocabulary for conceptualizing the processes entailed. Hence underlying and framing the main empirical findings of this paper is my commitment to an actor-oriented theoretical approach. It remains for others to explore further the usefulness of this analytical framework in relation to the growing body of ethnographically-based materials dealing with translocal and transnational phenomena.

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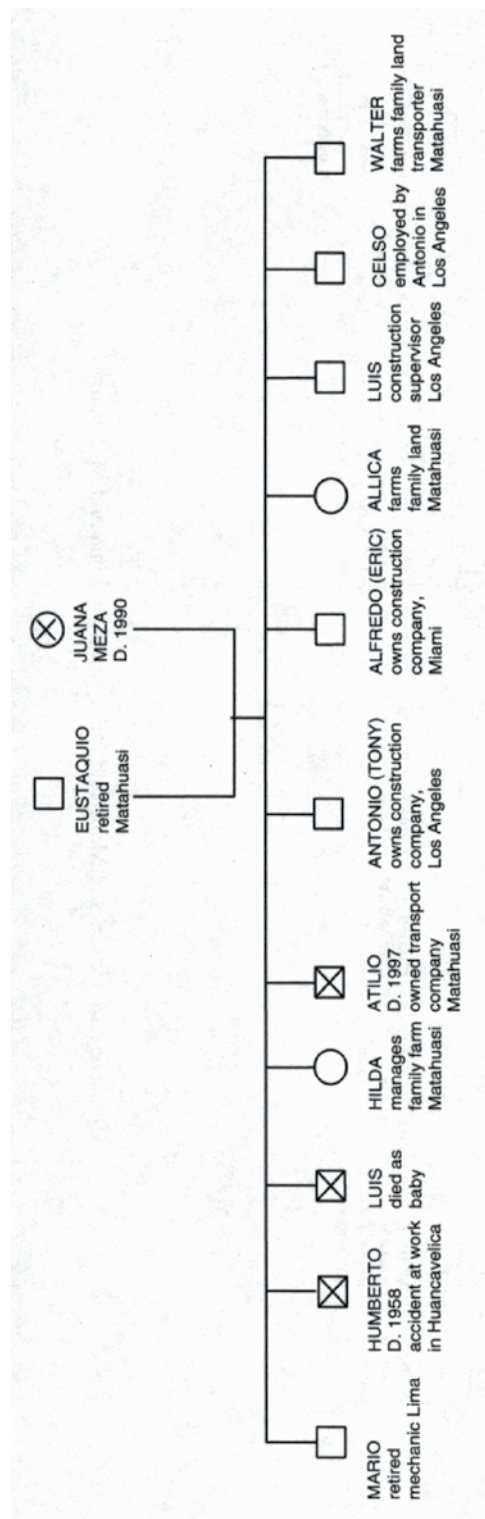
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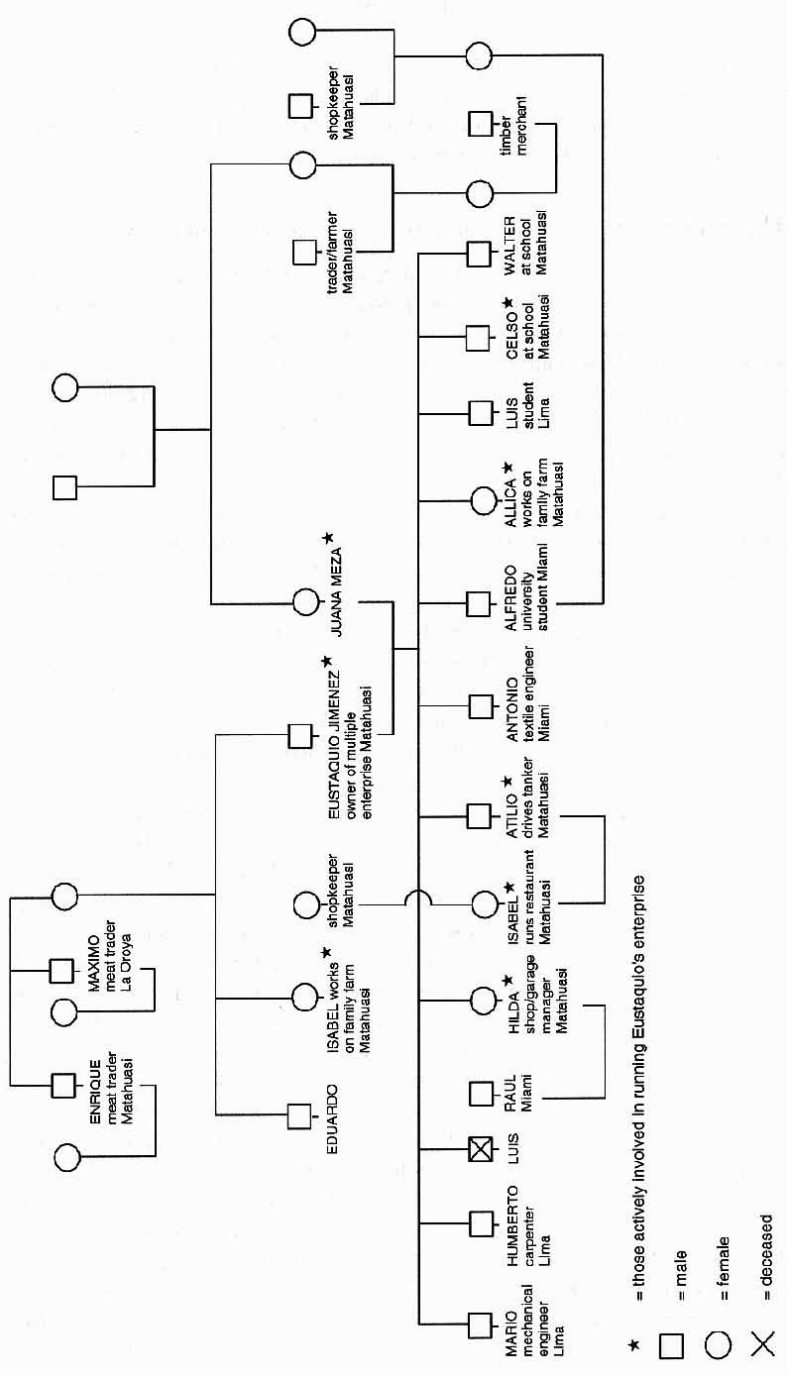
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Genealogy 2: Jiménez Family in 1998, Indicating Occupations, Enterprises and Residence.



Genealogy 1: Jiménez Family in 1972



Simultaneity and Networks in Transnational Migration: Lessons Learned from an SMS Methodology

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1. Introduction

Migration is a topic of great interest in both research and policy circles. On the one hand, the increasing numbers of migrants to developed countries, and the xenophobic reactions in many of these countries, has led to a slew of studies focusing on migrant integration in receiving country societies. On the other hand, governments of developing countries, as well as development organizations, have become increasingly conscious of the great contribution that migrant remittances make to home country economies, leading to more and more studies commissioned by the World Bank, IMF, and other international institutions on the effects of remittances for the development of migrant home countries.

These studies split migrants' lives in two: either they focus on what migrants do in the receiving country or they study the effects that migrants have on the people back home. Reality, however, is more variegated, with migrants often maintaining linkages with the country of origin while at the same time creating new social ties, adapting ideas and values, and redefining a sense of belonging in the new country of residence. Transnationalism was coined as a concept in the early 1990s to bring these two research arenas to bear on each other. It was noted that migrant realities could only be understood by taking the *linkages* between home and host countries and the *simultaneity* of flows with which these linkages are created and maintained into consideration.

¹ This paper reports on results of a collaborative research program between the University of Amsterdam (AGIDS), Vrije Universiteit Amsterdam (AOE), Amsterdam Institute for International Development (AIID), and African Studies Center Leiden, in the Netherlands and the Institute of Statistical Social and Economic Research (ISSER), in Ghana entitled "Transnational networks and the creation of local economies: Economic principles and institutions of Ghanaian migrants at home and abroad" (Nederlandse Organisatie voor Wetenschappelijk Onderzoek (NWO) grant number 410-13-010P). I would like to thank Luca Bertolini and the members of the "Transnational links and livelihoods" group for insightful comments and Magali Chelphi for excellent research assistance.

Since the 1990s, there has been a burgeoning of transnationalism studies. Many theoretical works have been written on transnationalism, identifying it as a new and unique area of study. Empirical studies have addressed the theoretical concepts to differing degrees and are still developing methodologies through which to operationalize the theoretical concepts. This paper seeks to review the important theoretical concepts making transnationalism a unique area of study and identifies a methodological gap that remains, in order to address these concepts. It explores how a simultaneous multi-sited (SMS) methodology can address this gap. It does this by way of a case: the Ghana TransNet research program, with reflections on the kinds of additional knowledge an SMS methodology can contribute to current knowledge on migration.

Section 2 briefly reviews transnationalism as a concept, categorizes empirical studies according to the methodologies used, and identifies a methodological gap. Section 3 describes in detail the SMS methodology used by the Ghana TransNet research program. Section 4 reviews some findings that have come out of the SMS methodology that can supplement the knowledge about-migration. Section 5 concludes with some recommendations for research and development policy.

2. Transnationalism

Glick Schiller et al. (1992) were some of the first to theorize about the concept of transnationalism. What sets their analysis apart from previous approaches to the study of migration is that they focus on migration within a globalizing economy and draw into question the role of the nation-state in regulating the activities that migrants engage in and the identities that they create. Transnationalism problematizes notions of space that assume physical, social, and political spaces to perfectly overlap onto one geographical area. The nation-state affects the way migrants move and organize themselves, by creating barriers for them (via restrictive visa policies) or providing opportunities (employment within developed country economies). At the same time, there are also flows that transcend the nation-state, such as cultural images (Appadurai's (1996) ethno-space, media-space, etc.), people, and goods that contribute to the constitution of new kinds of spaces.

Various definitions of transnationalism have been set forth reflecting the different disciplinary backgrounds of scholars it has attracted. Basch, Glick Schiller, and Szanton Blanc define transnationalism as "the processes by which immigrants forge and sustain multi-stranded social relations that link together their societies of origin and settlement" (1994, 7). Vertovec

emphasizes the importance of people within networks by focussing on the “multiple ties and interactions linking people or institutions across the borders of nation-states” (1999, 447). Portes, Guarnizo and Landolt delimit the concept of transnationalism to occupations and activities that require sustained contacts over time across national borders (1999, 218). Other authors emphasize the flow of immaterial things such as ideas and feelings of solidarity across boundaries (Clifford 1994) that serve to form transnational identities.

What these definitions have in common is their emphasis on the linkages that bind people living in different countries. A major contribution of the literature on transnationalism has been that it recognizes the individual migrant as a member of a larger whole that extends beyond geographical boundaries. This conceptualization of transnationalism has methodological consequences. Hannertz (1998) explains that in most transnational cases, the most relevant unit of analysis is the network, or what others have called transnational communities, villages (Levitt 2001), or circuits (Rouse 1992).

Simultaneity is considered to be a second distinguishing feature of transnational linkages (Levitt and Glick Schiller 2004). New technologies (airplanes, telephones, satellite technology, faxes, and computers) make movement and communication between large distances possible with much greater frequency, speed, and regularity, and in larger numbers than even just fifty years ago (for overview articles see *Ethnic and Racial Studies*, 1999 22(2); Vertovec 2001, Mazzucato et al. 2004). This facilitates the possibility for people to be simultaneously engaged in both their home country as well as in the other countries where they have lived or are living. Simultaneous engagement enables linkages between dispersed people to tighten, new livelihood opportunities to emerge, social institutions to change, and hybrid identities to develop. These changes have led to qualitative differences in how migrants, the cities in which they live, and their home communities are impacted by migration (Foner 1997).

Thus simultaneity and networks are two important aspects that come out of theoretical transnationalism literature. Below we investigate how these aspects have been operationalized in methodologies used by transnational studies.

The simultaneity of flows means that at least two locations need to be incorporated into one research field. This has been operationalized in two ways. One is by situating research in one geographical location, usually

migrant receiving areas,² but focusing on people's discourses about home and their feelings of belonging. Many transnational studies follow this line of questioning (Charles 1992; Ostergaard-Nielsen 2001; Poros 2001; Salih, 2002; Smith 1998). They are fundamental for highlighting that, in order to understand migrant realities, it is not sufficient to study how migrants take on cultural forms of the countries in which they reside, or whether they participate in local labor markets, but it is necessary to understand how migrants relate to their countries of origin in their imaginaries, in the cultural forms they practice, the political identities they associate themselves with, and the discourses that they engage in. However, these studies leave largely under-researched the more material social and economic flows that transnational identities result in³ and they do not include any empirical research in the other location, a migrant's home community, that is conceptualized as being important by the theoretical transnational literature. They also cannot be distinguished from studies on identity and ethnicity that have existed since well before the coining of the concept of transnationalism.

A second type of transnationalism study that became more prevalent in the late 1990s and 2000s operationalized simultaneity by studying both home communities and migrants' country of residence jointly, giving rise to theoretical reflections on the need for multi-sited research (Hannerz 1998; Stoller 1997; Marcus 1995). It is these two-country empirical studies that offer something new from previous approaches and therefore this category will form the focus for the rest of this paper.

Two categories can be distinguished of two-country studies: those with matched samples and those without. A matched sample is where networks of people linked to each other across national boundaries are the unit of analysis. Unmatched sample studies are where people on both sides of the migration process are studied but they are not directly linked to each other. The individual is thus the unit of analysis in unmatched sample studies, while the network is the unit of analysis in matched sample studies. Unmatched sample studies are more numerous.

Since the 1990s, two-country, unmatched-sample, transnational studies have burgeoned and taken research on the linkages between countries further by conceptualizing home and host country as one arena of migrants' social, economic, and political action (Basch et al., 1994; Feldman-Bianco

² Based on a literature search of thirty-three articles, book sections, and books, only one study (Georges 1992) situated research in one geographical location and in a migrant sending area.

³ Portes et al. 2002 is the exception.

1992; Gardner 1999; Glick Schiller and Fouron 1998; Guarnizo et al., 2003; Hinojosa 2003; Matthei and Smith 1998; Marques et al., 2001; Portes and Guarnizo 1991; Riccio 2002; Rouse 1992).

Matched sample studies are fewer (Osili 1998; Saifullah Khan 1977; de la Cruz 1995). Because such studies collect information from both sides, they can best investigate questions about the inner workings of transnational flows and link migrants' actions with those of people back home: How do migrants decide what and to whom to send remittances? What kinds of reciprocal relations exist between people living in different countries, and how do they work? What mechanisms do migrants use to insure that remittances get used as they intend, and at the same time are migrants' remittances being used in the way migrants intended?

A review of two-country, transnational studies (Table A.1 in Appendix) shows that few studies work with matched samples and no study to date collects information from both ends of the migration process simultaneously.

Two further methodological distinctions can be made of two-country transnational studies: their scope, relating to the number of people they study, and the type of contact with the research population, intensive or one-off. This categorization is presented in Table A.2 in the Appendix. The majority of studies is large in scope (more than twenty respondents) and uses methods in which respondents are interviewed only a few times (such as surveys or one or two in-depth interviews per respondent). Such methods (one-off) can be used to know the extent of certain phenomena and can produce reliable data only if the population involved is not vulnerable (for example, migrants with working permits). In cases of a vulnerable population, a relationship of trust between researcher and respondent is necessary and an intensive research methodology is needed. Intensive methods involve repeated contacts with the same people. Table A.2 shows that those studies that use intensive methods are for the most part ethnographies. They do not collect quantitative data and cannot assess the extent of the transnational phenomena they study (Portes 2001).

This paper explores what we call a simultaneous, matched sample (SMS) methodology in which a relatively large, matched sample of respondents is studied simultaneously and intensively (repeated visits over a long period of time). It reflects on the experiences of using such a methodology from the Ghana TransNet research program by investigating what such a methodology can add to our knowledge of transnational migration as

well as discussing some of the considerations one needs to make before embarking on such a methodology.

3. A Simultaneous Matched Sample Methodology

The Ghana TransNet research program⁴ examines how migrants' transnational networks affect the principles and institutions⁵ on which local economies are based. Through flows of goods, money, services, and ideas between migrants and people they know in their home country, values, knowledge, economic opportunities, and means of social assistance change, get adapted and transformed, which ultimately impacts the institutions that shape local economies both at home and abroad. The program thus aims to understand how local economies are being changed, by focusing on institutions that are impacted by migrants' transnational lives.

The research program takes migrants' simultaneous engagement in two or more countries directly into account in the methodology (Mazzucato 2000). The program is composed of three projects based in three important nodes of Ghanaian migrants' transnational networks: Amsterdam, where most Ghanaians in the Netherlands reside; Accra, the capital city of Ghana where most migrants have lived or passed through; and rural to semi-urban villages in the Ashanti Region of Ghana to which many migrants trace their roots. The projects are conducted simultaneously so that transactions between people can be studied on both sides and in real time.

Both quantitative and qualitative research methodologies were applied over a two-year period (2003–2004) with 115 respondents who were followed intensively over the three research locations. In a first phase, twenty-nine Ghanaian migrants in Amsterdam were selected based on a network survey conducted amongst a hundred migrants. There exists no baseline survey of Ghanaians in the Netherlands and a large number of migrants are undocumented. Therefore the one hundred Ghanaians were selected through a variety of gateways (churches, community leaders, hometown associations, cultural projects, and randomly encountered migrants in markets or at the workplace). The diversity of gateways helped ensure we came into contact with a wide variety of migrants with different individual and network characteristics.

⁴ See www2.fmg.uva.nl/ghanatransnet.

⁵ Institutions are the commonly held rules and norms that guide social behavior by “defining the incentive structure of societies and specifically economies” (North 1994, 360).

Once the selection of respondents was made, the second phase of the program could begin. The research team jointly developed questionnaires and question lists so that the same questions would be asked in the three research locations. First, a transaction study was developed to record all transactions on a monthly basis conducted in eight domains of daily life, identified from literature and preliminary fieldwork as being important in the economic lives of migrants and people back home. These domains are housing, business (including farming), funerals, church, health care, education, communications, and community development projects. Transactions were recorded on a monthly basis during the period of July 2003 to June 2004. Second, in-depth interviews were carried out on the eight domains. Third, life histories were conducted, focusing on the changes in people's social networks throughout their lifetime. Fourth, observation and participation in social events were employed in Amsterdam from June 2002 to August 2005, and in locations in Ghana from May 2003 to August 2004.

4. Results from a Simultaneous Matched Sample

This section reviews findings from the Ghana TransNet research program that are particular to the SMS methodology, and reflections are made on how they supplement current knowledge coming from transnational, migration or migration and development studies.

4.1 Linked Policy Consequences across Countries

Expenditure patterns reflect migrant objectives, as well as policies that may create or facilitate certain expenditure categories. An SMS methodology allows migrants' expenditure patterns to be studied simultaneously in the country of origin, in the country of residence, and across national borders. At the same time it allows the effects of migrants' expenditures on network members to be directly observed. As such, an SMS methodology can show the direct effects of policies in one country on livelihoods in another country. Below we illustrate this through the example of Amsterdam-based Ghanaian migrants' expenditures.

Ghanaian migrants in the Netherlands in our sample spent over 35 percent of their total non-consumption expenditures⁶ on remittances in the period of July 2003 to June 2004. Remittances consist of money and goods sent or

⁶ Consumption expenditures refers to all expenditures that are used for obtaining food for daily consumption. All else is considered a non-consumption expenditure.

carried to Ghana by migrants. 40 percent of these remittances were spent on help for network members or organizations in Ghana (including funerals, church donations education, health, community development projects and general subsistence), and 50 percent were spent on investments on housing or business pertaining to the migrant him or herself. Almost 5 percent were spent on identity documents for travel to and stay in the Netherlands, and a remaining 5 percent were for miscellaneous expenditures (Mazzucato 2005).

At the same time, almost 60 percent of non-consumption expenditures were spent in the Netherlands. Non-remittance expenditure patterns show in what way migrants participate in the Dutch economy as well as the consequences of Dutch migration policy on migrants' ability to send money back home, i.e., their contribution to development back home. In discussions of whether migrants support the neighborhoods and cities in which they live, much focus is on whether they start their own businesses or buy their own homes. However, migrants, as inhabitants, can support the neighborhood, city, or country in which they live in many different ways. Table 1 presents the major non-remittance expenditures items and their geographic destination based on the transaction study conducted with thirty Ghanaian migrants over a one-year period.

Table 1. Geographic Destination of Largest Non-remittance Expenditure Items of Amsterdam-based Ghanaian Migrants

Neighborhood	Netherlands		International
	Amsterdam	Other	
• school fees • church/association donations • food shopping • liquor (for celebrations of rites of passage) • services (child care, telephone call centers, money transfers, travel agencies)	• house purchase (real estate agencies) • rent (housing corporations) • car purchase (2nd hand stores) • housing and household refuse taxes • personnel for own business	• Dutch wax cloth (Vlisco) • business and income taxes • health care taxes • <i>lawyers</i> • <i>foreign police</i> • <i>"connection men"</i>¹ • <i>Dutch embassy in Ghana</i>	• international phone calls • electronic appliances • airline tickets • shipments via sea freight • <i>"connection men"</i>¹

Source: Transaction study 2003–2004. Table from Mazzucato 2004.

Notes: characters in italic indicate items that represent non-productive investments. ¹Connection men refer to those persons who facilitate the process of obtaining travel or residency papers in exchange for a payment.

Non-remittance spending shows that Ghanaian migrants contribute to businesses and services that are offered at the neighborhood, city, national, and international levels. Not all spending, however, leads to growth in the formal economy. Much money gets absorbed into the formal and informal economies of identity papers (see *italic items* in Table 1). As mentioned above, identity papers absorbed 5 percent of total remittances sent, but they also take up financial resources in the Netherlands. Substantial amounts of money are spent on lawyer fees. Some of these lawyers are of very low quality, not having specialized in migration law, and can cause delays and ultimately the denial of a visa request due to improper handling of the application procedure (personal communication head of visa office, Dutch consulate, Accra, 26 March 2004). Fees charged by the Dutch embassy for legalization of documents and for visas can also lead to substantial spending. Legalization alone cost EUR 122 in 2002 and, due to the highly stringent procedures, a person may have to pay the fee several times before succeeding. Detailed verification by the embassy of the information provided by migrants leads migrants to hire people to oversee the verification procedure. Such people charged in 2003 and 2004 around EUR 2,000. The immigration police have raised the fees for staying and permanent residency permits eight- and four-fold, respectively, in two years (Table 2). For some migrants this amounts to costs equivalent to their monthly income. One of the most substantial spending items of all for undocumented migrants is the cost of obtaining papers in the informal economy. In 2003 through 2004 the going rate for such transactions was between EUR 10,000 and EUR 15,000. The other great cost is that of using other people's papers to work. The unwritten rule is that the owner of the papers keeps 30 percent of the net salary earned by the undocumented migrant. This can amount to costs of almost EUR 4,500 per year for blue-collar jobs typically conducted by many undocumented migrants. Another cost is that of foregone income of a better-paying job that is inaccessible to those without a working permit. Finally, there is the cost of ill health that one is more likely to encounter when working in jobs available in the informal economy. These jobs are usually physically stressful, as for example cleaning jobs in which people inhale strong cleaning solvents all day or have to repeat the same movement for large parts of the day, and lead to physical ailments.

Table 2. Cost (in Euro) of Formal and Informal Economy of Identity Papers, the Netherlands 2001, 2003

	2001	2003
Staying permit	56	430
Renewal of staying permit	0	285
Staying permit for unlimited time	227	890
Legalization of birth certificate		122
"Help" with legalization procedure		2,000
Marriage partner		10,000 – 15,000
Use of other person's work permit		30% of salary earned
"Typical" immigration lawyer fee		1,000
Prison stay for two months		4,000

Source: Table from Mazzucato 2005a.

These expenditure patterns on both sides of the migration process, through remittances in Ghana and also investments and spending in the Netherlands, reflect the double engagements of migrants in both their home country as well as in the country where they reside. At the same time some expenditures reflect the hardening of Dutch migration policies that create the conditions for both a formal (lawyers, embassies, immigration police) and informal (connection men, marriage partners, use of others' documents) economy of identity papers. Were these resources not taken up by obtaining identity documents (visas, passports, work permits), the current spending patterns of migrants leads us to deduce that these resources would be spent in ways that contribute to the Dutch economy at the neighborhood, city, or national level, to multinational corporations, and to the local economies of the cities and villages of Ghana.

The above analysis links migrant spending in the receiving country with spending in the home country and therefore highlights how migration policies in a receiving country can have development consequences for another. An SMS methodology also brings these effects to bear on the individual level. Joy, a Ghanaian nurse living in the Netherlands, was never able to have her nursing diploma validated in the Netherlands and worked in the lowest ranks of elderly care for nine years. During our fieldwork, Joy reached a limit to her patience and had grown increasingly dissatisfied, with repercussions for her self-esteem. She ultimately decided to move to the UK where she had better chances of getting her diploma recognized. This was not without financial consequences, as she needed to pay for her trip and housing in the UK, and would not have income for the time it would take her to obtain a nursing job. Her husband in the Netherlands had to use all his savings to support her and took on an additional night job. The additional spending and the consequences thereof for Joy's household were documented in the transaction study, and at the same time it was possible to follow the consequences this had in Ghana. Joy and her husband were

supporting a nephew in Ghana through school, and as a consequence of Joy's move, they were not able to pay the school fees for the remainder of the academic year. At the end of our fieldwork no one in Ghana had been able to substitute for the loss in school money, and the child was taken out of the school.

This effect came out of simultaneously collecting transaction data in different locations. Joy and her husband had not mentioned their inability to pay school fees for the nephew, either because they had not thought of it, or because they were ashamed of it. Asking respondents in Ghana, after a long period of having taken the boy out of school, may also not have turned up this information as the link between the remittances and the boy's schooling may have been forgotten or the link may not be so clear in people's minds. Thus this effect would not have come out by just relying on informants on one side of the migration process, and may have been overlooked if the information was not collected simultaneously.

Migrants' transnational lives mean that factors affecting their resources will have repercussions in more than just one country. Economic studies on the benefits and costs of migration for receiving countries typically focus on migrants' participation in the labor market and their use of social services such as education, health, and pension (Roodenburg 2003). The analyses presented above show that a more accurate estimation of the costs and benefits of migration involves widening the scope of these studies to include estimates of the costs of excluding migrants from participating in an economy to the state of the receiving country (the budget of the Dutch migration police is greater than that of the whole of the UNHCR, (Veenkamp, et al. 2003)), to the migrant (less resources, ill health, unsatisfactory life), and to the migrant's home country economy (in the form of foregone remittances).

4.2 Two-way Flows

Studies on migration and development singly focus on one-way flows: what migrants do for the home country. However, there are also flows that go in the other direction, from home country to receiving country. These flows are usually ignored by migration and development studies. As a recent overview of international migration and economic development (Lucas 2005) shows, the only flows considered by this literature are those from the migrant to the home country, with one exception. These are studies on the brain drain that provide detailed analysis of flows from developing countries to migrant receiving countries (Mensah et al. 2005). Transnationalism studies too tend to focus on what migrants do for their

home countries, for example, through hometown associations and festivals in which contributions are collected for community development projects, or through entrepreneurial activities (Guarnizo et al. 2003; Levitt 2001; Portes 2002). Some transnationalism studies make mention of services that people at home provide to migrants such as child care or managing housing construction (Levitt 2001), or local goods sent from home to the migrant (Wiltshire 1992) but no detailed analysis is conducted of these flows.

Below we present a study of how insurance works between migrants and their network members back home and show that two-way flows can help explain the linkages that bind country of residence with home country.

One of the possible uses of remittances is for insurance purposes. The New Economics of Migration (NEM) theory argues that migration is a household-level strategy for dealing with risk (Stark and Levhari 1982; Lucas and Stark 1985; Stark and Bloom 1985; Taylor 1999). Remittances are explained as the outcome of a self-enforcing contractual arrangement between migrants and their families in which both parties expect to be better off. The family helps the migrant to move to where he expects to have better income opportunities. The migrant then sends remittances either as delayed payment for the initial investment the family made to send him on migration, or as insurance to the family in times of shock (Stark and Lucas 1988). What makes the migrant abide with the contract are his altruistic feelings towards his family and/or his desire to be eligible for the family inheritance (de la Brière 2002), usually land or cattle.

No study to date, though, has explored the possibility that migrants and home-country dwellers may be involved in a mutual insurance contract, meaning that a migrant may provide for the family because she is also in need of their help. Using an SMS methodology, we investigated this possibility.

Migration histories of our respondents revealed that migration trajectories of Ghanaian migrants in the Netherlands have three phases: first, the preparation phase in Ghana to gain the money and documents necessary for the trip; second, the installation phase in the Netherlands during which migrants regularize their stay by obtaining the necessary documents; and third, the settled phase in which they have succeeded in obtaining their documents. This phase often includes extensive travel back and forth to Ghana. In the 1980s and first half of the 1990s, the second phase of undocumented stay in the Netherlands lasted between two to five years. However, with increasingly stringent visa policies in the Netherlands and in the rest of Europe, the period of having illegal status and waiting for

papers is becoming longer. There were respondents in our sample who had been waiting ten years.

During the second phase of the migration trajectory the probability of an unforeseen event with a large income shock for the migrant is high. An insurance event must involve a degree of unpredictability; if one could know exactly if and when the event will occur, then one could make the necessary plans and not need to rely on mutual insurance arrangements. An insurance event must also involve a substantial financial cost otherwise people would be able to pay for the events on their own (Dercon 2000). Table 3 shows the kinds of shocks that can be experienced during the second phase of a migration trajectory.

Table 3. Insurance Events for Migrants in the Netherlands during Phase II

Insurance event	Service	Unpredictability	Urgency ¹	From whom
getting a staying permit legally	paperwork in Ghana	+	+	family and friends in Ghana
getting a staying permit in the black market	• finding a candidate • candidate paperwork	++	++	family and friends in Ghana and the Netherlands
marriage deal gone wrong	Arbitration	++	+++	family and friends in Ghana and the Netherlands
getting put in prison	getting you out of prison	+++	+++	family and friends in Ghana and the Netherlands

Notes: ¹Urgency is used as a proxy for financial cost, as the help that is needed from the migrant is usually a service like obtaining correct documentation, arbitration, obtaining accurate information, etc. These services are not always quantifiable in terms of financial costs.

Source: Table from Mazzucato 2005.

There are different aspects that make the events outlined in Table 3 unpredictable. First, one does not have the certainty that they will occur. For example, some people are lucky and are never caught by police even if they do not have a staying permit. Secondly, migration policy in the Netherlands and in Europe has changed quite dramatically and frequently over the past fifteen years, becoming increasingly stringent towards migrants. This made it so that a potential migrant may have gotten outdated information about the ease of obtaining documents in the Netherlands that was no longer valid once the migrant arrived in the Netherlands.

These insurance events can constitute a large financial cost for the migrant. Our data show that migrants use their own financial resources or borrow from their network of migrants in the country of residence. However, those respondents who encountered these situations also needed services of family and friends located in Ghana. Below we describe the kinds of services for each insurance event.

Respondents without papers first try the cheapest route of obtaining papers via the official channels. This entails a lot of work in Ghana, such as collecting the necessary documentation and informing all those who might be interviewed by the embassy controllers, on what answers to give. This system is necessary because the Dutch embassy employs strict documentation verification that is virtually impossible to satisfy for Ghanaians older than twenty-five because the consistent documentation system needed to satisfy embassy requirements did not exist twenty-five years ago. This means migrants need to have documents made, school records changed, hospital birth records forged, and the extended family informed about the “official” answers to be given to the controllers who come around to one’s village to verify all information put in the application form. One friend or trusted family member in Ghana will be charged with collecting forms at the embassy, entailing many hours of waiting in lines at the different agencies that issue documents, much time spent traveling and enormous coordination efforts in order to get information to be consistent on all records. These services entail a large input from the family or friend in Ghana, all of which can be documented with an SMS methodology.

Obtaining documents in the black market means in most cases that the migrant needs to find a “marriage partner” with legal documents. Again, here migrants make use of friends or family in the Netherlands or in Ghana to put them in contact with a trustworthy candidate. Migrants are in extremely vulnerable positions vis-à-vis the marriage partners because the costs of the marriage need to be made up front. Many are the occasions in which a migrant loses his money on a deal gone wrong. Thus finding a trustworthy candidate is essential.

In the case of a marriage deal gone wrong, one of the major ways a migrant has to try to recuperate the money is by acting through the marriage partner’s network members in Ghana. This involves the migrant asking his/her own network members in Ghana to put pressure on the candidate through his/her social network, to repay the costs. This happened to one of our case study people, in which he had already paid EUR 2,000 when the candidate disappeared. Through his parents in Ghana, he was able to recuperate the money as they went to speak with the parents of the partner.

In the case of having been caught and put in prison, again the migrant may rely on friends and family in Ghana. In the case of a respondent who was caught and put in prison in the Netherlands, the family in Ghana was asked to provide help by going to a prayer camp with pastors believed to have powers to resolve document problems. Asking family in Ghana to attend prayer camps also occurred in other occasions with respondents who were experiencing problems in obtaining their staying permits (see also van Dijk 1997). This involves financial costs for the family back home for travel and donations made at the prayer camp, but also costs in terms of their time, as attending a prayer camp on behalf of a migrant usually involves an extended stay of one or two weeks during which people pray and fast.

The kinds of services described above in relation to insurance are difficult to note for a researcher based in a migrant's home country. They are not visible because they blend in with everyday tasks. Furthermore, some difficulties migrants experience, like being put in jail, are shameful and the family back home may not want to tell people about it. An SMS methodology can help make such services more visible because when an unexpected insurance event occurs to the migrant, the researcher in the migrant receiving country can alert the researchers in the home country to observe attentively and ask how network members deal with the crisis.

The above analysis relates to insurance-related services that people in home countries conduct for migrants. However, there are many other kinds of services that migrants receive from people at home, such as helping them with housing construction, business investments, and child care in their home country. These services have been described by transnational studies (de la Cruz 1995; Matthei et al. 1998; Marques et al. 2001). An SMS methodology can help researchers go beyond the description of reciprocal relations and explain how these relations work, by observing both sides of the reciprocal relation simultaneously. Additionally, by following people over a longer period of time, it is possible to try to quantify these services, for example, through a time-budgeting study that collects data on how much time is spent on these services.

4.3 Triangulation, Tracking Change, and Getting beyond Migration Discourses and False Dichotomies

Up to here, the paper has focused on the type of information that can be found by using an SMS methodology. In this section, we focus on the quality of data that are obtained, centering the discussion on three characteristics: triangulation, tracking change, and getting beyond migration discourses both in practice and in academia.

Having people collect similar data in different localities contemporaneously can enhance the quality of data, in that researchers can triangulate with each other information about their research locations. This enables researchers to complete and correct information by asking more relevant or detailed questions to their own respondents and by questioning about topics that they would otherwise not think of. For example, a respondent in Accra did not mention that she owned a business, but it came out in Amsterdam that the migrant helped her to start one. This alerted the researcher in Accra to ask more detailed questions about business activities in order to get more complete information. Another example is when it resulted from an interview with a migrant that had a tense relationship with one of her network members in Ghana; it was possible to also ask the network member in Ghana about this relationship so as to get both versions of a story. More detail was added and better insight was gained on the nature of the relationship and how it evolved over time to become strained.

The repeated nature of the research methods, interviewing people on a monthly basis over a one-year period, made it possible to *observe* changing attitudes or social relationships that occurred over the fieldwork period. In the course of our study, a mother (in Ghana) and daughter (in Amsterdam) became closer to each other after a period of estrangement. We were able to ask about the reasons for the estrangement and also to observe how the relationship evolved. Quantitative data showed that the closeness between mother and daughter resulted in a series of two-way flows between Ghana and the Netherlands that had not existed in previous years.

In another case, we witnessed the growing religiosity of a respondent. While at the beginning of the research we conducted various interviews in which the respondent was quite critical of Ghanaian pastors operating in Amsterdam, she slowly became a frequenter of one of the Pentecostal churches in her neighbourhood. We were able to trace the events leading to her increasing religiosity and the effects this had on her exchanges with people in Ghana. We were thus able to document what important factors lead to such strong membership to Ghanaian Pentecostal churches in the Netherlands and the flows this generates. Another way the SMS methodology can track changes, although not unique to it, is by following those respondents who move from one research location to another (Smith 1998; Sorensen 1998).

One year of data collection cannot pick up on all changes, but it does enable researchers to *observe* the evolution of some attitudes and social relationships, rather than rely only on interviews. These latter are subject to

the pitfalls of human recollection and reflect discourses about the way people want to remember the past rather than the actual events themselves.

Collecting information from more than one site, and following what people do over an extended period of time, also facilitates getting beyond dominant discourses. Various discourses exist around migration both amongst migrants and academics. An example is migrants' complaining of their family's constant requests for help. Often, researchers who base their findings on one-off interviews with migrants report this discourse as a finding, and thus propagate the image of the migrant as a helpless victim of extended family systems prevalent in developing countries. Observing what migrants do, i.e., their practices, revealed in our study the various strategies migrants employ in order to continue supporting people back home while at the same time giving space to their own personal objectives (Mazzucato 2005a). In reality migrants have more room for maneuver, we concluded, than they portray themselves to have. Furthermore, we observed that some migrants do not receive so many requests, and others that do sometimes explicitly deny these requests. Finally, as stressed in section 4.2, migrants are also dependent on their relations in the home country, particularly in certain phases of their migration trajectory. This can partially help explain why they continue to send remittances despite the fact that they say they feel oppressed by requests. We were only able to come to this conclusion by observing and collecting quantitative data from the different sides of the migration process. Migrants' reliance on home did not come out of interviews with migrants themselves because migrants often view this reliance with shame, as it is associated with a "failed" migration story.

Another dominant discourse is that migrants show off their hard-earned income in their country of origin, leading to the misconception in the country of origin that "money grows on trees" overseas. This then results in youths wanting to migrate and in extended family members making constant requests for money and goods from migrants. Having researchers in different locations meant that we could observe migrants' behaviour on their home visits. We also asked migrants what they tell their network members in Ghana about life overseas. At the same time, we could check this information by asking the network members in Ghana what they knew of life overseas. It resulted that people in Ghana, especially in the cities, had a very realistic picture of life in developed countries and were aware that their compatriots were often working and living in difficult conditions. We found that migrants were usually not explicit to their network members about their own personal circumstances, but they explained how living conditions were difficult in general and sometimes gave details about

people they knew. In fact, some of our young respondents who were able to secure a decent job in urban Ghana did not express any desire to migrate. This showed that while the “money growing on trees” discourse may have reflected reality at the beginning of Ghanaians emigration overseas in the 1980s, it is now outdated. Many migrants have since returned temporarily or permanently with realistic stories about their experiences, or worse, with little to show from their stay abroad. The discourse may, however, still be relevant in rural areas (Kabki et al. 2004) or areas of Ghana from where not many people emigrate overseas (de Lange 2003).

Finally, an SMS methodology is useful for researching migration beyond the academic divide of international and internal migration. As Skeldon (1997) argues, often the two are related, with migrants first migrating internally and then overseas, and involve similar dynamics and ties with the home area. An SMS methodology does not depart from national boundaries as defining the relevant research field, but rather works from the network and where the nodes of the network are located. These nodes may be located both within the same country and/or beyond country borders. In the Ghana TransNet research program, for example, this meant not only studying linkages Amsterdam-based migrants have with people in their hometown or in Accra, but also the linkages between the hometowns and Accra. It is in this latter case that we were able to document the intermediary function of Accra-based network members, disbursing migrant remittances to members located in hometowns, and the fact that Accra-based network members were often used to check on how others were using remittances. These dynamics show that internal and international migration are parts of one process, fulfilling different functions in a transnational network of people.

5. Conclusions

There are two overall implications that result from this review of SMS methodology and its contribution to our knowledge about the migration and development nexus. First is that more studies using SMS methodology are needed. SMS methodology allows the operationalization of two concepts that make transnationalism a unique area of study: the *simultaneity* of flows and that people are embedded in *networks* that span national borders. Two-country transnationalism studies are multi-sited, focusing on both migrants’ home communities as well as the countries where they reside; however, data have, to our knowledge, never been collected simultaneously and hardly ever across a matched sample of people. Therefore empirical studies that rigorously operationalize concepts such as networks and simultaneity of flows that have been brought to the fore

by theoretical transnationalism studies are needed. One way to do this is through an SMS methodology. This paper has reviewed the main added advantages of using such a methodology. First, an SMS methodology allows migration policies in a receiving country to be directly linked to effects at the local level in developing countries. Second, it highlights that flows engendered by migration are two-way: Not only do they involve remittances from migrant recipient countries to their home countries, but flows of especially services also go from developing to developed country and that these should be taken into account when studying the benefits and costs of migration for developing countries. Regarding the quality of data, an SMS methodology allows the triangulation of results, provides supplemental information with which to improve the reliability of data, and it allows getting beyond dominant migration discourses. Finally, an SMS methodology goes beyond the dichotomy of internal versus international migration, and rather highlights how the two forms of migration are linked through transnational networks.

A second implication regards how migration is to be conceptualized both in academia and policy circles. Migration is usually either seen as an issue with respect to development and is studied by developing-area specialists (development economics, development studies), or as related to issues of integration and social exclusion and is studied by people of different disciplines focusing on the developed world, where migrants usually move to (for a recent review, see Portes and DeWind 2004). Policies follow a similar separation. While development often falls under the mandate of the Ministry of Foreign Affairs, integration is an issue dealt with by the ministries concerned with the national territory, such as the Ministry of the Interior, of Education, and of Justice. This dichotomy obfuscates the relationship that exists between migration policies in developed countries and development in the countries where many migrants come from. A bifocal lens used in transnationalism studies and in specific an SMS methodology is useful for highlighting the linkages that exist between migration policies in developed countries and people's lives in the developing world.

For migration research, this means that researchers should be familiar with the economy and society of the country where the migrant group they study comes from, as well as with the policy and economic circumstances migrants are faced with in their receiving country. Working in interdisciplinary teams of developing-area specialists, with urban anthropologists, sociologists, legal experts, and economists specialized in developed countries, is one way to combine this knowledge (Stoller 1997; Hannerz 1998).

For policymakers, migrants' transnational lives linking developed and developing countries means that receiving-country governments affect development in migrants' home countries, both through their migration as well as development policies. Migration policies should focus on reducing, if not eliminating, the unintended consequences they have produced, such as the formal and informal economies of identity papers. An SMS methodology has shown that migration is related to development, not only through flows (remittances) from the receiving country to the home country but also through reverse flows of services that home-country residents have to conduct for migrants in order to bring security to migrants' vulnerable lives in the receiving country. This has the consequence of absorbing productive resources of network members back home that, in the absence of migration, could have been employed elsewhere. Designing policies that recognize migrants' double engagement in both their home country as well as the receiving country economies can help avoid the negative unintended consequences of migration policies. Such policies need to aim at creating space for migrants to invest in their home country while facilitating their more active participation and offering them a secure living in the receiving country economy.

At the same time, development policies should aim at making migrant remittances as productive as possible. This means investing in basic infrastructure and human capital to attract migrant investments or fostering the creation of credit unions in migrant sending areas that provide multiple services for migrants such as money transfer services, and health and funeral insurance for migrants' family members, similar to what has been done in some rural communities in Central America (Orozco 2003). Credit unions have mandates in which they must reinvest their profits in the community, leading to more multiplier effects from migrant remittances than are currently being realized in countries such as Ghana, where most profits from remittances accumulate to large multinationals such as Western Union with no obligation to reinvest in migrant sending areas.

This mixture of migration and development policies needs to be coordinated and implemented simultaneously in order to avoid the effects of one policy countering those of another. This can only be obtained through a closer collaboration between ministries that deal with migrant integration and the ministry that deals with development cooperation than is currently done in most developed countries.

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Appendix

Table A.1. Two-country Transnational Studies by Simultaneity and Matched Sample

Sample	Simultaneous	Step-wise
Matched		De la Cruz (1995) Osili (1998) Saifullah Khan (1977)
Partly matched		Basch et al. (1994) Constantinides (1977) Goldring (1998) Kramer (1997) Landolt (2001) Levitt (2001) Sorensen (1998) Wiltshire (1992)
Unmatched		Feldman-Bianco (1992) Gardner (1999) Glick Schiller and Fouron (1998) Guarnizo et al. (2003) Hinojosa Ojeda (2003) Matthei and Smith (1998) Marques et al. (2001) Portes and Guarnizo (1991) Riccio (2002) Rouse (1992) Watson (1977)

Source: own literature review.

Table A.2. Two-country Transnational Studies by Scope and Type of Respondent Contact

	Respondents N ≤ 20 per country	Respondents N > 20 per country
Intensive contact with respondents	Levitt (2001) ¹ Matthei and Smith (1998) ² Saifullah Khan (1977) Sorensen (1998) ²	Costantinides (1977) ² Rouse (1992) ² Watson (1977) ²
One-off contact with respondents	De la Cruz (1995) Kramer (1997) ¹	Basch et al. (1994) Feldman-Bianco (1992) ² Gardner, (1999) Glick Schiller and Fouron (1998) ² Goldring (1998) ² Guarnizo et al. (2003) Landolt (2001) Marques et al. (2001) Osili (1998) Portes and Guarnizo, (1991) Riccio (2002) ² Wiltshire (1992) ¹ Hinojosa Ojeda (2003)

Source: own literature review.

Notes: ¹Include surveys by way of background information but the material on migrants' lives comes from a partly matched sample of respondents. These studies are categorized according to their methods with the partly matched sample. ²Ethnographies in which it is not clear how many people are studied.

Remittances, Inequality and Poverty: Evidence from Rural Mexico

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This paper explores the impact of migration and remittances on the distribution of rural income and on rural poverty, using Gini and poverty decomposition techniques and data from the 2003 Mexico National Rural Household Survey. Impacts of migrant remittances on income inequality have been a focus of considerable economic research. However, findings often have been contradictory, and a unifying theory of remittances and inequality has been elusive. Impacts of remittances on poverty largely have been ignored in the development economics literature, and there has been no effort, to our knowledge, to estimate the influence of remittances on rural poverty in Mexico using household data.

The goal of this research is to analyze the distributional and poverty effects of both international and internal migrant remittances and explore the differences in these effects across regions. Our findings suggest that impacts of remittances are more equalizing and have a larger effect on alleviating poverty in regions where the share of households with migrants working abroad is large. We find no such relationship for internal migrant remittances, however.

1. Research on Remittances, Inequality and Poverty

A number of researchers have examined the distributional effects of migrant remittances by comparing income distributions with and without remittances (Barham and Boucher, 1998; Oberai and Singh, 1980; Knowles and Anker, 1981) or by using income-source decompositions of inequality measures (Stark, Taylor and Yitzhaki, 1986, 1988; Adams, 1989, 1991; Adams and Alderman, 1992). These studies offer conflicting findings about the impact of remittances on inequality. Stark, Taylor and Yitzhaki (1986) provide a theoretical explanation for these conflicting findings. They argue that rural out-migration, like the adoption of a new production technology,

initially entails high costs and risks. The costs and risks are likely to be especially high in the case of international migration. Given this fact, pioneer migrants tend to come from households at the upper-middle or top of the sending-area's income distribution (e.g., Portes and Rumbaut, 1990; Lipton, 1980), and the income they send home in the form of remittances is therefore likely to widen income inequalities in migrant-source areas.

This initially unequalizing effect of remittances is dampened or reversed over time as access to migrant labor markets becomes diffused across sending-area households through the growth and elaboration of migrant networks (see Massey, Goldring, and Durand, 1994). Thus, Stark, Taylor and Yitzhaki (1988) found that migrant remittances had an unequalizing effect on the income distribution in a Mexican village that recently had begun to send migrants to the United States, but an equalizing effect on another village that had a long history of participating in Mexico-to-U.S. migration. Based on a social welfare function sensitive to both per-capita income and inequality, remittances were shown to increase rural welfare in both villages, although the positive effect of remittances on inequality dampened the welfare effect in the first village.

1.1 Remittances and Poverty

Interactions between migration and poverty—both at migrant origins and destinations—are among the least researched and understood topics in economics. This is surprising, because the vast majority of the world's migrations originate in rural areas, where most of the world's poverty is also concentrated.

The possible impacts of migration on poverty are bracketed by two extremes, which we might call the “optimistic” and “pessimistic” scenarios.

The optimistic scenario is that migration reduces poverty in source areas by shifting population from the low-income rural sector to the relatively high-income urban (or foreign) economy. Income remittances by migrants contribute to incomes of households in migrant-source areas. If remittances are significant and if some migrants originate from poor households, remittances may reduce rural poverty.

The pessimistic view is that poor households face liquidity, risk, and perhaps other constraints that limit their access to migrant labor markets. This is particularly likely to be the case for international migration, which usually entails high transportation and entry costs (e.g., smugglers' or

recruiters' fees). Households and individuals participating in migration benefit (otherwise, it is not clear why they would participate). However, these beneficiaries of migration may not include the rural poor. If migration is costly and risky, at least initially migrants may come from the middle or upper segments of the source-areas income distribution, not from the poorest households. The poor will not benefit unless obstacles to their participation in migration weaken over time.

The true impacts of migration on poverty are likely to be found not at one extreme or another, but somewhere in between and varying over time. The diffusion hypothesis presented above for inequality may also apply to poverty. Initially, when few households have access to migrant labor markets, remittances are likely to flow primarily to middle and upper-income families. If this is the case, changes in remittances will have little effect on poverty. However, if access to migration eventually becomes diffused downward through the income distribution, poor households may gain access to remittance income. Poverty would then be more sensitive to changes in remittances in regions that have a larger share of households with migrants.

Some insights into migration-poverty interactions may be gleaned, mostly indirectly, from the existing literature. Adams (2004) compared the poverty headcount, poverty gap, and squared poverty gap of Guatemalan households that received remittances from international and/or internal migrants, with those of households that did not receive remittance income. He found that both internal and international remittances reduced poverty. Remittances had a quantitatively larger effect on the severity of poverty (the "poverty gap") than on the poverty rate (headcount). This study highlights the importance of taking into account both the incidence and severity of poverty when measuring remittance impacts. Adams (1986) found that international remittances had a small but favorable effect on poverty in a sample of households in rural Egypt. The number of households in poverty declines by 9.8 percent, and the Sen poverty index falls by 12 percent, when per-capita incomes are calculated without including remittances. Adams and Page (2003) performed a cross-country analysis of international migration and poverty. They found that a 10-percent increase in international migration (the share of a country's population living abroad) was associated with a 1.9-percent decrease in the share of people living in poverty. In a study of 2400 municipalities, Lopez Cordova (2004) found that a higher prevalence of remittances (fraction of households receiving remittances) was correlated with lower poverty (using a headcount measure) in 2000.

To our knowledge, no study has estimated the impact of migrant remittances on the incidence and severity of poverty in rural Mexico, where poverty is most concentrated; the differential effect of remittances from internal and international migrants; or differences in remittance effects on poverty across regions. This research takes a step towards filling this lacuna by using rural household survey data to estimate the effect of changes in migrant remittances on poverty in Mexico's 5 census regions, using four poverty indices.

2. Migration, Remittances, Inequality, and Poverty in Rural Mexico

In the past decade rural Mexico has experienced a massive outflow of rural labor to Mexican urban centers and to the United States. Between 1990 and 2002, the share of Mexico's rural population working in the United States rose from 7% to 14%, and the share at internal-migrant destinations rose from 11% to 15%; however, the share varies widely across regions (Mora and Taylor, 2004). This makes Mexico an ideal laboratory in which to examine impacts of migration and remittances in rural areas with different levels of integration with migrant labor markets.

To date, empirical research on economic impacts of migration in rural Mexico has been based on detailed surveys of small numbers of communities, at best. This, together with the tremendous heterogeneity that characterizes rural Mexico, has limited the extent to which findings from these studies can be generalized to the rural economy as a whole.

The present research uses new data from the Mexico National Rural Household Survey (Encuesta Nacional a Hogares Rurales de Mexico, or ENHRUM). This survey provides detailed data on assets, socio-demographic characteristics, production, income sources, and migration from a nationally representative sample of rural households surveyed in January and February 2003. The sample includes 1,782 households in 14 states. INEGI, Mexico's national information and census office, designed the sampling frame to provide a statistically reliable characterization of Mexico's population living in rural areas, or communities with fewer than 2,500 inhabitants. For reasons of cost and tractability, individuals in hamlets or disperse populations with fewer than 500 inhabitants were not included in the survey.¹ The result is a sample that is representative of more than 80 percent of the population that the Mexican census office considers to be rural.

¹ The percentage of the population of Mexico that lives in hamlets of less than 500 people is no more than 20% in 2000, INEGI, Population Census 2000.

To implement the survey, Mexico was divided into 5 regions, reflecting INEGI's standard regionalization of the country: Center, South-Southeast, West-Center, Northwest, and Northeast. The survey was designed to be representative both nationally and regionally. Data from this survey make it possible to quantify migration and remittances at the household level, as well as to test for influences of these variables on household total income, on income inequality, and on poverty.

Table 1 summarizes migration from households in rural Mexico. Sixteen percent of all households in the sample had a family member living in the United States at the start of 2002, the year of the survey, and 26 percent had a family member living in another part of Mexico. Many households had more than one migrant. The number of U.S. migrants per household ranged from 0 to 9, while the number of internal migrants ranged from 0 to 10. The average household in the sample had 0.35 U.S. migrants and 0.71 internal migrants in 2002—or 1.06 migrants in total.

There are sharp differences in migration experience among the five rural regions of Mexico. The West-Central region traditionally has had the highest propensity to send migrants to the United States. It currently has the highest participation rates in international migration and the most international migration experience. Nearly 28% of all households in this region have at least one family member in the United States, and the average household has .62 U.S. migrants. By contrast, 7.5%% of households in the south-southwest have U.S. migrants, with an average of .10 U.S. migrants per household. These inter-regional differences are the basis for comparing differences in the distributional and poverty effects of remittances at different levels of household involvement in migration.

Figure 1 illustrates differences in historical trends in international migration, respectively, at the village level across the five regions from 1980 to 2002. It was constructed from retrospective migration histories assembled for all family members in the ENHRUM sample, including sons and daughters who were not part of the household at the time of the survey. Villages with large concentrations of international migrants in 2002 have a history of increasing participation in migration throughout the period. Only in rare cases did a village with a high concentration of migrants in 2002 begin to participate in migration late in the period. We use 2002 concentrations of migrants as a proxy for migration histories in our analysis of distributional and poverty effects of migrant remittances, presented below.

2.1 Remittances and Income in Rural Mexico

Detailed data on household-farm production, wage work, and migration make it possible to estimate total income for each household in the ENHRUM sample. Total income is the sum of income from six sources: family production (crop, livestock, nonagricultural, commerce, service, natural resource extraction); agricultural wage labor; nonagricultural wage labor; internal migrant remittances; international migrant remittances; and public transfers. This list of incomes is exhaustive; the sum of income from the six sources equals household total net income.

There are various methods to arrive at estimates of net income from rural household production activities. We did not try to impute values of family inputs like labor, land and capital, because it is not obvious what prices should be used to do this. Net income from household production activities was estimated as the gross value of production (using observed local prices) minus purchased inputs. This method yielded net incomes from crop production that were very low or negative in some cases, especially for staples and small animals. Subtracting imputed values of family inputs (e.g., family labor at local wages) from these net income figures would yield mostly negative net staple and livestock incomes. Gross income from livestock production was estimated as the change in value of standing herds between the end and start of the survey year, plus (a) sales of animals and animal products; (b) home consumption of home-produced animals and animal products minus (c) livestock purchases and (d) livestock input costs (feed, medicines, and other costs). Incomes from all other household production activities were estimated in a manner analogous to net crop income (as gross value of production minus purchased input costs). Salary and wage income was summed across all household members and jobs. Migrant remittances were summed across all remitters and, in the case of dollar-denominated remittances from the United States, transformed to pesos using the prevailing average 2002 exchange rate of 10 pesos per U.S. dollar.

Table 2 summarizes rural households' total net income and remittances from internal and international migrants, nationally and by region. Average household total income for the whole sample in 2002 was 53,465 pesos (U.S. \$5,346). This comes out to an average per-capita income of approximately U.S. \$1,372 per year. The composition of incomes reported in the table reveals a significant role for migrant remittances in rural Mexico: 13 percent of household total income and 16 percent of per-capita income comes from migrant remittances (mostly from the United States).

Migrant remittances are not equally distributed across regions (Table 2). The percentage of household income from international migrant remittances ranged from 3.6 in the Northwest to 20.1 in the Northeast. The percentage from internal migrant remittances ranged from 0.54 to 3.7 percent.

The numbers in Tables 1 and 2 reveal that migrant remittances potentially have significant impacts on rural income inequality and poverty, but these impacts are not likely to be uniform across regions with vastly different prevalence and histories of migration.

2.2 Income Source Gini Decomposition

To explore the impacts of remittances on rural income inequality, it is first necessary to select an inequality index. Various indices exist. Following Ray (1998), an inequality index should have 5 basic properties:

- (1) adherence to the Pigou-Dalton transfer principle;
- (2) symmetry;
- (3) independence of scale;
- (4) homogeneity with respect to population; and
- (5) decomposability.

The Pigou-Dalton principle maintains that inequality, as measured by the index, should increase when income is transferred from a low-income household to a high-income household. An index displays symmetry if the measured level of inequality does not change when individuals trade positions in the income distribution—that is, the identity of individuals or households is irrelevant.

Independence of income scale means that a proportional change in all incomes does not alter inequality. Homogeneity means that a change in the size of the population will not affect measured inequality. Finally, in order to explore influences of specific income sources on inequality, the index needs to be decomposable with respect to income sources. (Ray also refers to decomposability by population subgroup; however, this is not our interest in this study.)

The inequality measures that satisfy these 5 requirements include the coefficient of variation, Theil's entropy index (T), Theil's second measure of inequality (L), and the Gini coefficient (G). The two Theil measures can be disaggregated by population subgroup but not by income source. The Gini coefficient is probably the most intuitive measure of inequality,

with its neat correspondence to the Lorenz curve and easy-to-interpret decompositions of remittance effects. This is the measure we use in the present study.

Following Lerman and Yitzhaki (1985), the Gini coefficient for total income inequality, G , can be represented as:

$$G = \sum_{k=1}^K R_k G_k S_k \quad (1)$$

where S_k represents the share of component k in total income, G_k is the source Gini, corresponding to the distribution of income from source k , and R_k is the Gini correlation of income from source k with the distribution of total income.²

Equation (1) permits us to decompose the influence of any income component, in our case remittances, upon total income inequality, as the product of three easily interpreted terms:

- a) how important the income source is with respect to total income (S_k)
- b) how equally or unequally distributed the income source is (G_k)
- c) whether or not the income source is correlated with total income (R_k).

For example, if remittances represent a large share of total income, they may potentially have a large impact on inequality. (If their share in total income is nil, so must be their contribution to inequality.) However, if they are perfectly equally distributed ($G_k = 0$), they cannot influence inequality even if their magnitude is large. If remittances are large and unequally distributed (S_k and G_k are large), they may either increase or decrease inequality, depending upon which households, at which points in the income distribution, receive them. If remittances are unequally distributed and flow disproportionately towards households at the top of the income distribution (R_k is positive and large), their contribution to inequality will be positive. However, if they are unequally distributed but target poor households, remittances may have an equalizing effect on the rural income distribution, and the Gini index may be lower with than without remittances.

Using the Gini decomposition, we can estimate the effect of small changes in remittances on inequality, holding income from all other sources constant

² The properties of R_k are the following:

- a) $-1 \leq R_k \leq 1$. R_k equals zero if y_k and Y are independent, and it equals 1(-1) if y_k is an increasing (decreasing) function of total income.
- b) If y_k and Y are normally distributed, then R_k is equal to the Pearson correlation coefficient

(Stark, Taylor and Yitzhaki, 1986). Consider a small percentage change in income from source j (remittances) equal to π , such that $y_j(\pi) = (1 + \pi)y_j$. Then

$$\frac{\partial G / \partial \pi}{G} = \frac{S_j R_j G_j}{G} - S_j \quad (2)$$

where S_j , G_j and R_j denote the source- j income share, source Gini, and Gini correlation, and G denotes the Gini index of total income inequality prior to the remittance change. The percentage change in inequality resulting from a small percentage change in remittances equals the initial share of remittances in inequality minus the share of remittances in total income. One can easily see that, as long as remittances are an important component of rural incomes,

- 1) If the Gini correlation of remittances and total income, R_j , is negative or zero, an increase in remittances necessarily reduces inequality, but
- 2) If the Gini correlation is positive, the distributional impact of remittances depends on the sign of $R_j G_j - G$. A necessary condition for inequality to increase with remittances is that the source Gini for remittances exceed the Gini for household total income, that is, $G_j > G$. This follows from the property that $R_j \leq 1$.

2.3 Poverty Decomposition

A modification of the Foster-Greer-Thorbecke (1984) poverty index was used to analyze the poverty implications of remittances. We have found no such poverty decomposition in the literature for Mexico. Huppi and Ravallion (1991) perform an income-source poverty decomposition for Indonesia. More commonly one finds in recent literature that sectoral decompositions of poverty are proxied by undertaking a standard poverty decomposition for groups defined by primary sectoral source of income, or other characteristics such as household size, group or location.³ This proxy method is difficult to justify where a typical farm household's income is diversified across a variety of activities, as is clearly the case in rural Mexico.

Following the notation of Foster, Greer, and Thorbecke (FGT) (1984), let $Y_d = (Y_{d1}, Y_{d2}, \dots, Y_{dl})$ represent household incomes in increasing order and

³ For example, Baliascan (1993) did such a study for the Philippines; Gusstafsson and Makonnen (1993) explored principal income sources' effects on poverty incidence in Lesotho; Boateng et al. (1992) decomposed by location and group for Ghana; Kanbur (1990) decomposed poverty incidence by degree of income diversification, region and group and Kakwani (1993) by region and household characteristics in Cote d'Ivoire.

let $z > 0$ denote the predetermined poverty line. The FGT poverty measure is defined by:

$$P(Y_d; z) = \frac{1}{nz^2} \sum_{i=1}^q g_i^2 \quad (7)$$

where n is the total number of households, $q = q(Y_d; z)$ is the number of poor households, and $g_i = z - Y_{di}$ is the income shortfall (the gap between the household's income and the poverty line; Sundrum) of the i th (poor) household. This index satisfies the two axioms formulated by Sen (1976, 1979) for poverty measures to satisfy: (1) that a reduction in the income of a poor household, *ceteris paribus*, increases the poverty measure (monotonicity); and (2) that a pure transfer of income away from a poor household increases the poverty measure (the transfer axiom).

FGT present a decomposition of this poverty measure by population subgroup, and Reardon and Taylor (1996) decompose the FGT poverty coefficient by income source. To decompose $P(Y_d; z)$ by determinants of income, we substitute equation [1] for Y_{di} in the FGT poverty index. This yields

$$P(Y_d; z) = \frac{1}{nz^2} \sum_{i=1}^q \left(z - \sum_{k=1}^K y_k \right)^2 \quad (8)$$

The impact of a small percentage change in remittances, e , on poverty, $dP(Y_d; z)/de$, is given by

$$\frac{dP(Y_d, e; z)}{de} = \frac{1}{nz^2} \left[\sum_{i=1}^{q_0} -2 g_i(e) - \sum_{q^-} g_i(e)^2 + \sum_{q^+} g_i(e)^2 \right] \quad (14)$$

where q^* denotes the number of households in poverty both before and after the change in remittances, and q^- (q^+) denotes the number of households that leave (enter) poverty as a result of the remittance change. Assuming remittances have a positive effect on income (that is, there are not household-to-migrant remittances that outweigh migrant-to-household transfers), the third term, $\sum_{q^+} g_i(e)^2$, drops out, and the poverty effect is negative (i.e., poverty decreases), or at least not positive. The extent of this

poverty effect must be determined empirically. It hinges on whether or not poor households have access to remittance income.

In addition to the FGT poverty index, we estimate poverty impacts of changes in remittances using three other commonly used poverty measures:

- The headcount measure, $P_H(Y_d; z) = \frac{q}{n}$, measures the incidence of poverty, i.e., the share of the population living below the poverty line.
- The poverty gap, $P_G(Y_d; z) = \frac{1}{q} \sum_{i=1}^q (z - Y_{di})$, measures the depth of poverty, that is, how far below the poverty line the average poor household's income falls.
- The squared poverty gap, $P_{SG}(Y_d; z) = \frac{1}{q} \sum_{i=1}^q (z - Y_{di})^2$, measures the severity of poverty and is sensitive to changes in the distribution of income among the poor (Adams, 2003).

Each of these poverty measures can be considered as a special case of the FGT measure, depending upon the specification of the function g_i .

All Gini and poverty index decompositions presented below are for per-capita household income, in order to take into account differences in household size across regions and among households with access to different income sources.

3. Empirical Results

3.1 Income-Source Inequality Decompositions

Table 3 summarizes the contributions of income sources to per capita total income and income inequality in rural Mexico in 2002. Column 1 presents income-source shares. Migrant remittances represented 16 percent of average per-capita rural income in 2002. The vast majority of this remittance income (87 percent) came from migrants in the United States. Wages were the largest income source, accounting for more than 50 percent. Of this, most (80 percent) was from non-agricultural employment. Family production activities accounted for just under 29 percent of rural per-capita income, and government transfers represented 4.5 percent.

Table 3. Gini Decomposition by Income Source: Mexico National Sample

Income Source	(1) Share in Total Income (S)	(2) Income Source Gini (G)	(3) Gini	(4) Share in Total- Income Inequality	(5) % Change in Gini from a 10% Change in Income
Government Transfers	.045	0.79	0.29	.017	-0.280
U.S. Remittances	.140	0.95	0.78	.169	0.281
Internal Remittances	.020	0.96	0.36	.011	-0.089
Family production	.288	1.00	0.75	.350	0.630
Agriculture wages	.117	0.82	0.37	.057	-0.601
Non-agriculture wages	.390	0.80	0.78	.396	0.061
Total Income	1.000	0.61	1.00	1.000	

Source: Estimates from Mexico National Rural Household Survey 2003.

N = 1782 households. All incomes are per capita.

Migrant remittances are unequally distributed across rural households (Column 2). The source Ginis for international and internal remittances are similar: 0.95 and 0.96, respectively.⁴

As indicated earlier, a high source Gini (G_k) does not imply that an income source has an unequalizing effect on total-income inequality. An income source may be unequally distributed yet favor the poor. This is the case for internal migrant remittances. The Gini correlation between internal remittances and the distribution of total per-capita income (R_k) is only 0.36, comparable to that of agricultural wages. Because of the low Gini correlation between internal-migrant remittances and total-income rankings, the percentage contribution of internal remittances to inequality (1.1 percent) is smaller than the percentage contribution to income (2.0 percent). Thus, internal remittances have a slight equalizing effect on the distribution of total rural income. A 10% increase in internal remittances, other things being equal, reduces the Gini coefficient of total income by 0.1 percent.

The Gini correlation between international migrant remittances and total income rankings is much higher ($R=0.78$). Because of this, international remittances have an unequalizing effect on rural incomes; a 10-percent

⁴ These source Ginis are high in part because they include zero remittances for some households.

increase in remittances from migrants abroad increases the Gini coefficient by 0.3 percent.

Government transfers are unequally distributed ($G_k = 0.79$). However, the Gini correlation between transfers and total income is low ($R_k = 0.29$), indicating that transfers favor the poor more than any other income source. Other things being equal, a 10-percent increase in government transfers is associated with a 0.3-percent decrease in the Gini coefficient of total income. In rural Mexico, these transfers include decoupled income payments to basic grain producers, under the PROCAMPO program, as well as needs-based transfers under PROGRESA.⁵ Agricultural wages are the largest income equalizers in rural Mexico, while income from family production activities has the largest positive effect on inequality.

Table 4a. Gini Decomposition by Income Source: High Migration (West–Center) Region

Income Source	(1) Share in Total Income (S)	(2) Income Source Gini (G)	(3) Gini Correlation with Total Income Rankings (R)	(4) Share in Total- Income Inequality	(5) % Change in Gini from a 10% Change in Income Source
Government Transfers	0.047	0.84	0.25	0.019	-0.279
U.S. Remittances	0.159	0.87	0.50	0.133	-0.263
Internal Remittances	0.009	0.98	0.42	0.007	-0.019
Family production	0.231	1.00	0.72	0.320	0.880
Agriculture wages	0.110	0.83	0.20	0.035	-0.746
Non-agriculture wages	0.445	0.75	0.76	0.487	0.428
Total Income	1.000	0.52	1.00	1.000	

Source: Estimates from Mexico National Rural Household Survey 2003.

N = 346 households. All incomes are per capita.

⁵ PROCAMPO was instituted in the context of a phase-out of price guarantees to basic grain producers. It represented a shift from price based support measures to direct income payments. PROGRESA provides payments to poor rural households, linked to enrollment of children in schools and local clinics.

Table 4b. Gini Decomposition by Income Source: Low Migration (South–Southeast) Region

Income Source	(1) Share in Total Income (S)	(2) Income Source Gini (G)	(3) Gini Correlation with Total Income Rankings (R)	(4) Share in Total- Income Inequality	(5) % Change in Gini from a 10% Change in Income Source
Government Transfers	0.083	0.60	0.19	0.015	-0.674
U.S. Remittances	0.064	0.98	0.87	0.086	0.224
Internal Remittances	0.038	0.93	0.42	0.024	-0.145
Family production	0.438	0.92	0.86	0.550	1.092
Agriculture wages	0.126	0.77	0.42	0.064	-0.610
Non-agriculture wages	0.252	0.86	0.77	0.265	0.114
Total Income	1.000	0.63	1.00	1.000	

Source: Estimates from Mexico National Rural Household Survey 2003.

N = 372 households. All incomes are per capita.

Both the importance and the distributional impact of migrant remittances and other income sources differ across regions. In West-Central Mexico (Table 4a), which has the highest prevalence of international migration, remittances from international migrants have an *equalizing* effect on rural incomes, equivalent to that of government transfers. There, a 10-percent increase in foreign remittances decreases the total-income Gini by 0.3 percent. In this region, international migrant remittances represent nearly 16 percent of per-capita total income. The source Gini for international migrant remittances (0.87) is lower and the Gini correlation (0.50) is much lower in the west-central region than in rural Mexico as a whole. By contrast, in the lowest migration region of southeastern Mexico, international migrant remittances constitute 6 percent of per-capita total income, and both the source Gini and the Gini correlation for this income source are high (0.98 and 0.87, respectively). Marginal changes in international remittances increase inequality in this region. In both regions, family production and non-agricultural wages have the most unequalizing effects on the rural income distribution, and agricultural wages are income equalizers.

Table 5. Inter-regional Comparison of Marginal Effects of Migrant Remittances on Inequality of Per capita Total Income (Gini Elasticities)

Region	International Migration		Internal Migration	
	Percentage of Households with Migrants	Effect of 10% Increase in Remittances on Gini of Total Per capita Income	Percentage of Households with Migrants	Effect of 10% Increase in Remittances on Gini of Total Per capita Income
South–Southeast	7.530	0.224	34.950	-0.145
Northwest	12.090	0.576	22.420	-0.018
Center	14.520	0.784	29.320	-0.170
Northeast	19.720	-0.114	11.670	-0.044
West–Center	27.750	-0.263	30.060	-0.019
All Regions	16.220	0.281	25.760	-0.089

Table 5 summarizes the estimated effects of 10-percent increases in international and internal migrant remittances and the percentages of households with migrants in each of the 5 census regions. Figure 2 illustrates the relationship between these two variables. It is suggestive of an inverted-U-shaped relationship between migration and the distributional effect of remittances, in the case of international migration. The Gini elasticity of foreign remittances is positive and highest in the region in which just over 14 percent of households have family migrants abroad (the Southeast), it is lower in the region in which 20 percent of households have international migrants (the Northeast), and it is negative in the region in which 28 percent of households participate in international migration (West-Center).

The elasticity of internal migrant remittances is close to zero in all five regions, despite shares of households with internal migrants that range from 12 to 35 percent. Rural income inequality is much less sensitive to given percentage changes in internal remittances than to changes in international remittances. This is due both to the low (Gini) correlation between internal remittances and the distribution of total income and the small share of internal remittances in total income of rural households.⁶

⁶ In two cases presented in Tables 3 and 4a income-source Gini coefficients are equal to 1.0 (both of these are for family production). This does not imply perfect income inequality, but rather, reflects the presence of some negative income values. Income-source Gini coefficients greater than 1.0 have been reported elsewhere in the literature (e.g., see Lerman and Yitzhaki, 1985). The Gini coefficient is a measure of dispersion, similar to a coefficient of variation. It is equal to the expected difference between two randomly drawn observations divided by the mean. One can view the mean as the expected difference between each observation and zero. If all observations are positive, zero is outside the range of observations, so the ratio is lower than one. However, if some observations are negative, zero is not outside the range of the group, and the ratio depends on the location of zero in the range. Wodon and Yitzhaki (2002, p. 79) argue that the ability to handle negative incomes is an advantage of the Gini coefficient over Atkinson's index.

3.2 Effects of Migrant Remittances on Poverty

A poverty line, z , is required in order to estimate the effects of changes in migrant remittances on poverty. The poverty line we use is the per-capita income required to purchase a basic basket of food and nonfood items in rural areas. It was estimated by the Mexican government (SEDESOL) at 28.1 pesos per day, including 15.4 pesos for food, 3.5 for basic health and education, and 9.8 for clothing, shelter, utilities, and transportation.⁷ Impoverished individuals are those who were living in households in which the per-capita income per day was less than 28.1 pesos. Table 6 reports the share of the population living below the poverty line in each region and in all of rural Mexico in 2002. Overall, 53 percent of rural Mexicans live in households with per-capita incomes below the poverty line. The incidence of poverty ranges from 34 percent in the Northwest region to 77 percent in the South-Southwest.

To estimate the effect of migrant remittances on poverty, we first calculated the FGT poverty measure, using Equation 13, as well as the three alternative poverty measures given above (the headcount, poverty gap, and squared poverty gap). We then decreased each of the two types of remittances, in turn, by 10 percent. Households that did not receive remittances are unaffected. The poverty effects of changes in remittances depend upon the extent to which remittances flow to poor (and, depending on the measure, very poor) households.

Table 6. Incidence of Rural Poverty, National and by Region in 2002 using the Headcount Measure

Region	Percentage of Rural Population in Impoverished Households Using Poverty Line Constructed from Cost of Basic Basket of...		
	Food	Food, Basic Health, and Education	Food, Basic Health, Education, Clothing, Shelter, Utilities and Transportation
South–Southeast	0.62	0.69	0.81
Center	0.36	0.45	0.63
West–Center	0.30	0.36	0.52
Northwest	0.20	0.25	0.35
Northeast	0.38	0.43	0.58
All Regions	0.38	0.44	0.58

⁷ See http://www.sedesol.gob.mx/subsecretarias/prospectiva/medicion_pobreza

Results of the poverty experiments are reported in Table 7. Overall, poverty increases when migrant remittances go down. The poverty effect is substantially greater for international remittances than for remittances from internal migrants using all four poverty measures. For example, the FGT index increases by 0.57 percent as a result of a 10-percent decrease in international remittances, compared with 0.30 percent for internal remittances. The headcount measure does not change at all when internal remittances decrease, but it increases by 0.29 percent in response to a drop in remittances from abroad. Echoing findings from Adams (2004), indices that are sensitive to the depth and severity of poverty are more sensitive to changes in remittances than is the headcount measure.

Poverty elasticities of remittances from migrants abroad vary sharply across regions. The sensitivity of poverty to international remittances is far and away greatest in the high migration, West-Center region, and it is smallest in the low migration, South-Southwest region. Other things being equal, a 10-percent increase in international remittances reduces poverty by 1.7 percent in the West-Center (according to the FGT index), compared with only 0.13 percent in the South-Southwest. Based on the headcount measure, poverty decreases by 0.93 percent in the West-Center, but there is no change in poverty in the South-Southwest. The poverty gap measures reveal a similar pattern of greater sensitivity of poverty to remittances in regions in which a large percentage of households have international migrants. This is illustrated in Figure 3. The relationship between poverty impacts of remittances and the extent of household participation in international migration is monotonically negative, and it is more pronounced than the relationship between remittance impacts on inequality and migration prevalence reported in Figure 2.

These findings suggest that the ameliorative effect of international remittances on rural poverty increases with the prevalence of migration—a poverty corollary to the argument advanced by Stark, Taylor and Yitzhaki (1986) that the distributional effects of migration become more equal as increasing numbers of households gain access to foreign labor markets. In theory, the relationship between poverty elasticities and the prevalence of migration is no more obvious than the relationship between migration and inequality. It depends on the extent to which poor households gain access to migrant labor markets over time, which is an empirical question. Our findings are suggestive that, in the case of international migration, the expansion of migration networks plays a critical role in shaping the impact of remittances on rural poverty.

4. Conclusions

Our findings using nationally and regionally representative data from Mexico indicate that remittances from migrants abroad slightly increase rural income inequalities, while remittances from internal migrants are income equalizers. However, these effects vary across regions, with both types of remittances having an equalizing effect on incomes in the highest-migration region. Our findings are consistent with the argument advanced in Stark, Taylor and Yitzhaki (1986) that expansion of migration has an initially unequalizing effect on the rural income distribution, but the diffusion of access to migration eventually makes the effect of remittances on rural incomes more equitable (or at least, less inequitable). This may explain inconsistencies in the estimated effects of remittances on income inequalities from existing studies, using data from economies with different levels of integration with migrant labor markets.

Despite their positive effect on inequality, international migrant remittances reduce rural poverty, by a greater amount than internal remittances. The ameliorative effect of remittances on poverty increases as economies become more integrated with migrant labor markets. To our knowledge, there is no precedent in the literature to this finding, which holds in rural Mexico regardless of whether the migration is to internal or foreign destinations.

Although our inequality and poverty decompositions are representative of rural Mexico their relationship with migration incidence is only suggestive, because variables besides migration histories may shape the effects of remittances on inequality and poverty in different regions. Additional research is needed for a more definitive test of the migration diffusion-inequality-poverty hypothesis. If this hypothesis is correct, a number of policy implications emerge. Policies that restrict migration increase poverty, especially in regions where the prevalence of household participation in migration is high. On the other hand, measures that promote remittances or that enhance remittance multipliers on incomes in migrant-sending households can be an effective poverty-reduction tool. The impacts of these measures on poverty and inequality would appear to be most favorable in the highest migration regions.

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Appendix

Table 1. Migration Summary Statistics for Rural Mexico, by Region

Region	Variable	Percentages	Sample Mean	Standard	Minimum	Maximum
South-South East	Households with U.S. migrants (%)	7.53%	-	0.26	-	-
	U.S. Migrants per Household		0.10	0.42	0	3
	Households with Internal migrants (%)	34.95%	-	0.48	-	-
	Internal Migrants per Household		0.89	1.61	0	8
	Household Sample Size		372			
Center	Households with U.S. migrants (%)	14.52%	-	0.35	-	-
	U.S. Migrants per Household		0.27	0.89	0	8
	Households with Internal migrants (%)	29.32%	-	0.46	-	-
	Internal Migrants per Household		0.70	1.48	0	8
	Household Sample Size		365			
Center-West	Households with U.S. migrants (%)	27.75%	-	0.45	-	-
	U.S. Migrants per Household		0.62	1.29	0	7
	Households with Internal migrants (%)	30.06%	-	0.46	-	-
	Internal Migrants per Household		1.02	1.99	0	10
	Household Sample Size		346			
Northwest	Households with U.S. migrants (%)	12.09%	-	0.33	-	-
	U.S. Migrants per Household		0.23	0.79	0	9
	Households with Internal migrants (%)	22.42%	-	0.42	-	-
	Internal Migrants per Household		0.72	1.71	0	8
	Household Sample Size		339			
Northeast	Households with U.S. migrants (%)	19.72%	-	0.40	-	-
	U.S. Migrants per Household		0.54	1.43	0	9
	Households with Internal migrants (%)	11.67%	-	0.32	-	-
	Internal Migrants per Household		0.23	0.80	0	8
	Household Sample Size		360			
Total	Households with U.S. migrants (%)	16.22%	-	0.37	-	-
	U.S. Migrants per Household		0.35	1.04	0	9
	Households with Internal migrants (%)	25.76%	-	0.44	-	-
	Internal Migrants per Household		0.71	1.58	0	10
	Household Sample Size		1782			

Source: ENHRUM 2003

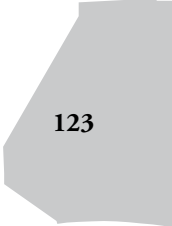


Table 2. Rural Mexico Household Income and Remittances, 2002

Total Net Income (average per household)	South-South east	Center	West-Center	Northwest	Northeast	TOTAL
Pesos	27,400	48,285	52,353	87,841	54,351	53,465
U.S. Dollars	2,740	4,828	5,235	8,784	5,435	5,347
Migrant Remittances as % of Total Income	10.37%	16.25%	14.79%	4.85%	20.69%	12.69%
Internal	3.66%	3.26%	1.04%	1.20%	0.54%	1.68%
International	6.71%	12.99%	13.75%	3.64%	20.15%	11.01%

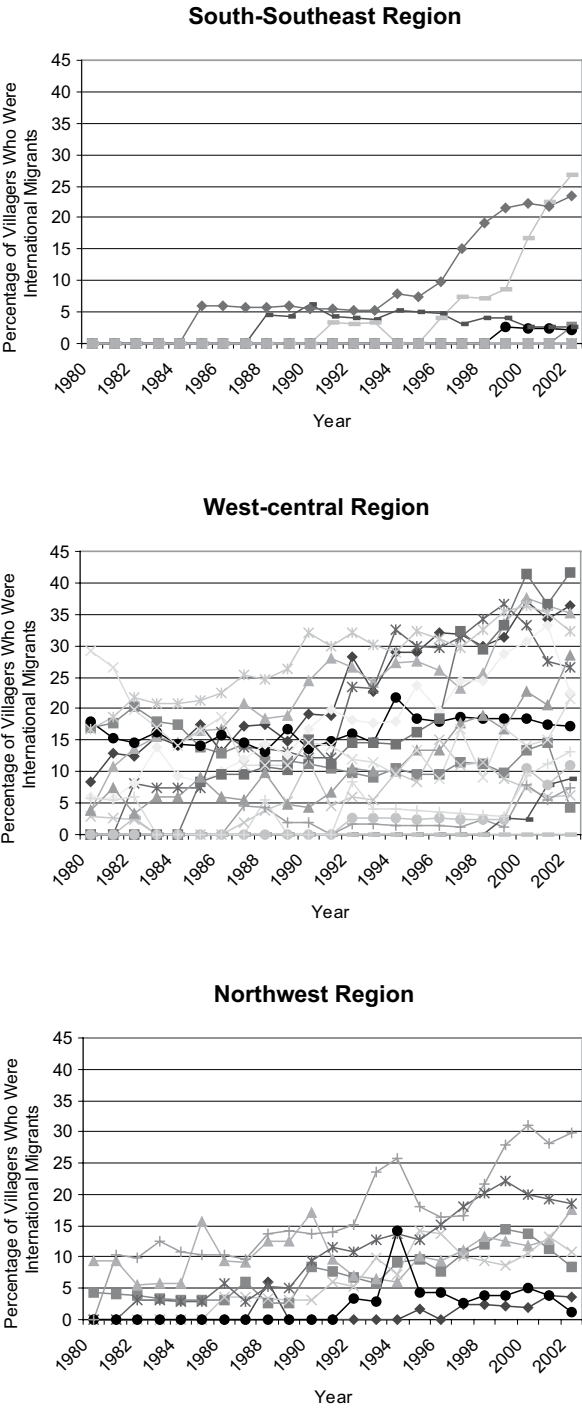
Sample size: 1,782

Source: ENHRUM, 2003

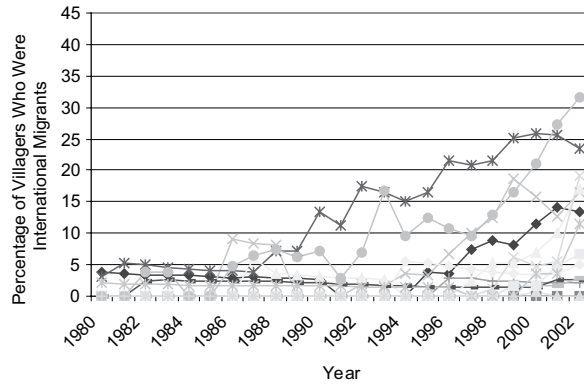
Table 7. Rural Poverty Impacts of a 10% Increase in Migrant Remittances

Region	International Migrants				Internal Migrants			
	% of House- holds with Migrants	% Change in Poverty Resulting from a 10% Increase in Remittances Using FGT Index			% of House- holds with Migrants	% Change in Poverty Resulting from a 10% Increase in Remittances Using FGT Index		
		$\alpha=0$ (Headcount)	$\alpha=1$ (Poverty Gap)	$\alpha=2$ (Squared Poverty Gap)		$\alpha=0$ (Headcount)	$\alpha=1$ (Poverty Gap)	$\alpha=2$ (Squared Poverty Gap)
South-Southeast	7.53	0.00%	-0.11%	-0.11%	34.95	-0.33%	-0.41%	-0.45%
Center	14.52	-1.30%	-0.35%	-0.33%	22.42	-0.87%	-0.61%	-0.67%
West-Center	27.75	-1.68%	-1.65%	-1.64%	30.06	0.00%	-0.05%	-0.05%
Northwest	12.09	-0.85%	-0.30%	-0.31%	11.67	0.00%	-0.16%	-0.13%
Northeast	19.72	-0.48%	-0.58%	-0.51%	11.67	-0.48%	-0.10%	-0.08%
Rural Mexico	16.22	-0.77%	-0.53%	-0.53%	25.76	-0.39%	-0.30%	-0.30%

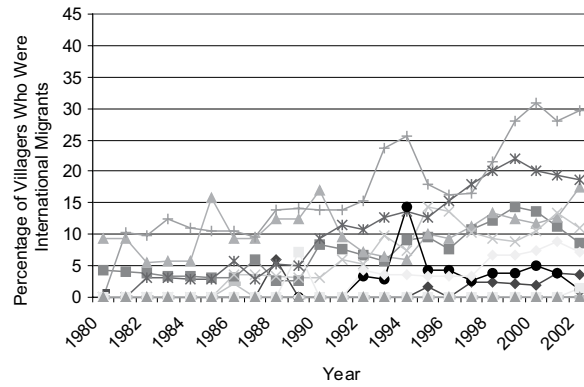
Figure 1. Trends in International Migration, by Village and Region of Rural Mexico, 1980-2002



Central Region



Northeast Region



Rural Mexico

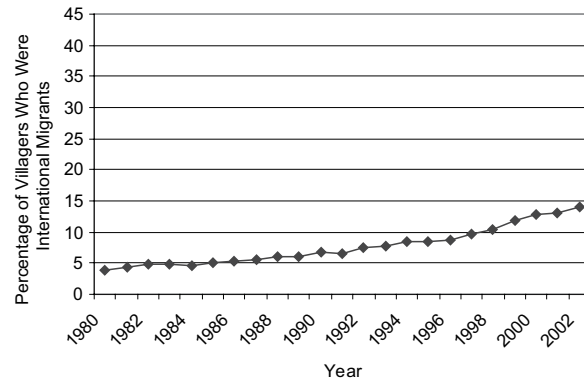
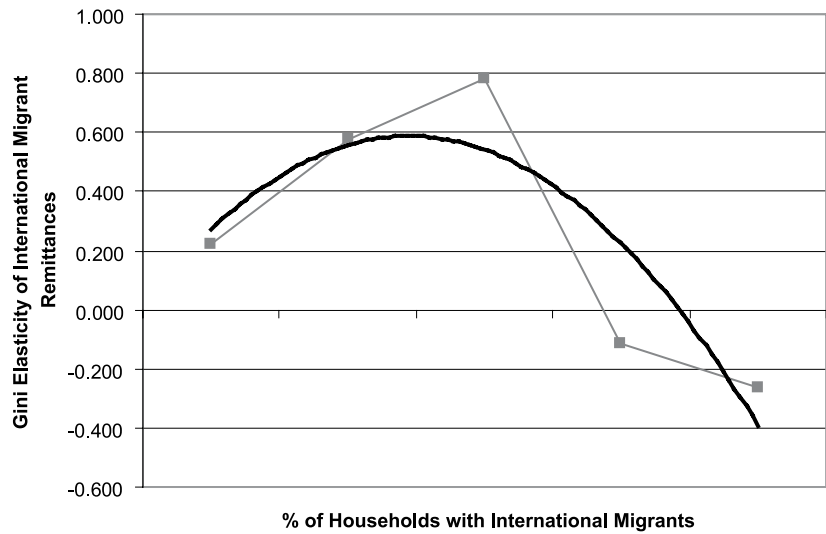


Figure 2. Relationship between Regional Percentages of Households with Migrants and Effect on Gini of a 10% Increase in Remittances, by Migrant Destination

(a) International Migration



(b) Internal Migration

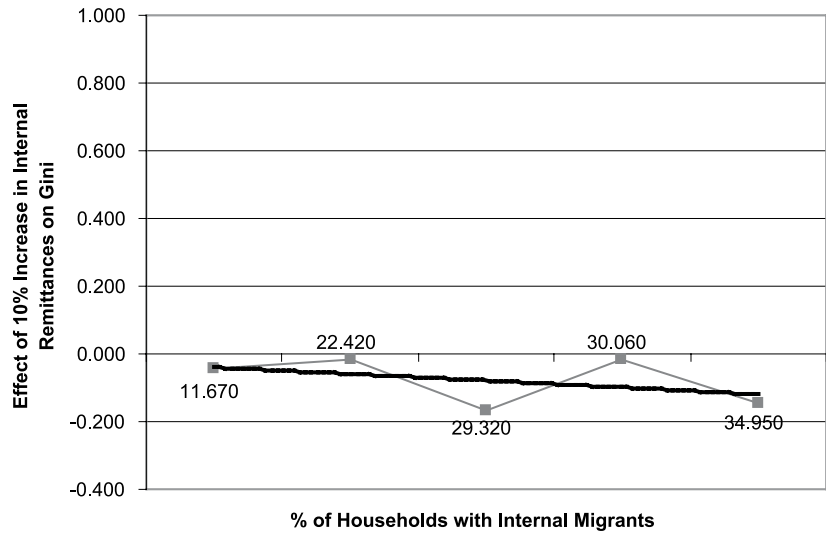
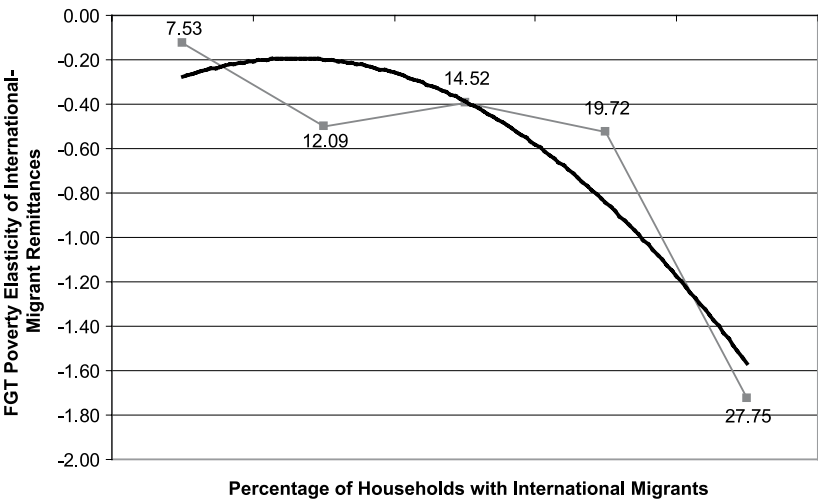


Figure 3. Relationship between Poverty Elasticities of International Migrant Remittances and Regional Percentages of Households with International Migrants (FGT Index)





Comparing the Impacts of Internal and International Migration on Development

Labor Market Flooding? Migrant Destination and Wage Change during America's Age of Mass Migration

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Influential voices in the media and in public policy circles have sustained the impression and perhaps heightened the concern that high levels of immigration harm resident Americans by reducing their wages. This perception of “labor market flooding” – sometimes billed as “common sense” (Brimelow 1995) – is bolstered by the logic of introductory-level microeconomic theory. That analysis begins by assuming a downward-sloping demand curve for labor in a static labor market. Under such circumstances, an immigration-induced outward shift in the labor supply curve will cause the equilibrium wage to fall. George Borjas emphasized this logic in the title of a recent paper, “The Labor Demand Curve *is* Downward Sloping” (Borjas 2003).

Nonetheless, an impressive number of empirical studies based on recent data find no evidence of a negative impact of immigration on resident wages. At the conclusion of a survey of the literature published in 1995, Rachel M. Friedberg and Jennifer Hunt report:

Despite the popular belief that immigrants have a large adverse impact on the wages and employment opportunities of the native-born population, the literature on this question does not provide much support for this conclusion. ... [E]mpirical estimates in a variety of settings and using a variety of approaches have shown that the effect of immigration on the labor market outcomes of natives is small. There is no evidence of economically significant reductions in native employment. Most empirical analysis of the United States and other countries finds that a 10 percent increase in the fraction

of immigrants in the population reduces native wages by at most 1 percent (Friedberg and Hunt 1995, 42).¹

Yet immigration's impact on wages is extremely difficult to measure. This is why the debate continues. Several well-known economists, with Borjas prominent among them, contend that immigration reduces the economic well-being of residents (Borjas 1995, 1999a, 2003). The negative effect of immigration is hidden, they suggest, because native-born workers respond to the arrival of immigrants by moving elsewhere, "voting with their feet" (Borjas 1999b, 1740). As Borjas explains:

... natives may respond to the wage impact of immigration on a local labour market by moving their labour or capital to other cities. These factor flows would reequilibrate the market. As a result, a comparison of the economic opportunities facing native workers in different cities would show little or no difference because, in the end, immigration affected *every* city, not just the ones that actually received immigrants (Borjas 2003, 1338, emphasis in original).

In this view, immigrants "crowd out" native workers who flee to areas less impacted by immigration. Indeed, if every arriving immigrant worker inspired one resident departure, total employment in the local market, and therefore the wage, would remain unchanged. The residents' departure disperses the immigrants' wage-depressing effect across the entire economy, where it is difficult to detect precisely because it is pervasive. Therefore the question of the wage effects of immigration is intimately related to the locational choices of foreign and native workers.

The empirical evidence on this "crowding out" hypothesis for the modern period is mixed and no consensus has been reached. Investigating data for the 1970s and 1980s, Randall Filer (1992), Borjas (2001), and several others find a negative relationship between immigration (or net immigration) and out-migration of resident workers. Research by Michael White and Yoshie Imai (1994); Richard Wright, Mark Ellis, and Michael

¹ This summary refers in particular to a series of studies reported by the National Bureau of Economic Research (NBER). See Robert LaLonde and Robert Topel (1991) and Joseph Altonji and David Card (1991). In summarizing the NBER research effort John Abowd and Richard Freeman reported that the "broad implication is that immigrants have been absorbed into the American labor market with little adverse effect on natives" (Abowd and Freeman 1991, 22). A National Research Council Panel convened by the U.S. Commission on Immigration Reform reached the same conclusion (Smith and Edmonston 1997, 219-220). See Card (2005) and Gianmarco Ottaviano and Giovanni Peri (2005, 2006) for recent contributions that bolster the conclusion that the impact of immigration on the wages of competing native-born workers is small.

Reibel (1997); David Card (2001); and Mary Kritz and Douglas Gurak (2001) found either no relationship between the entry of immigrants and the exit of the native-born or a positive one; that is, both immigrants and the native-born moved to the same cities. Because the question of harm is, in Borjas's words, "at the core of the immigration debate" (Borjas 1999, 62-63), the issues of locational adjustment and wage effects remains hotly contested within the economics profession.² Kritz and Gurak, in a review of this debate, suggest that the confusing results reported in the literature are a product of different model specifications, the different populations studied, the different regions, and the different time periods chosen for analysis (Kritz and Gurak 2001, 134-135).³

This chapter attempts a fresh empirical look at the economic consequences of immigration with particular attention to the argument that native-born workers are pushed out of labor markets flooded by foreign workers. Our approach shifts attention away from the recent experience to the decades centered on the centennial year 1900. There are several reasons for thinking that an examination of this historical "Age of Mass Migration" may prove helpful. During that period, immigration flows were considerably heavier than they are today, especially when compared with the size of the resident population. If a negative impact of immigration is hard to find in modern data, perhaps it will reveal itself during a period of much more intense labor market pressure. Second, most of the economists who argue that there ought to be significant negative impacts of immigration have taken a short-run, static point of view and thus have assumed away any relationships between immigration, structural changes, and economic growth. A long-run, dynamic, historical analysis – one that emphasizes the positive impact of immigration on economic growth – usually concludes that immigration would bring significantly large *positive* benefits to residents. This is the perspective taken by economic historians and theorists of economic growth (for a review, see Carter and Sutch 1999). If the objective is to measure the net effect of immigration, not just the partial short-term impact, then one needs to take a longer historical perspective. Before turning attention to the empirical and theoretical issues, it is useful to summarize the similarities and differences between immigration then and now.

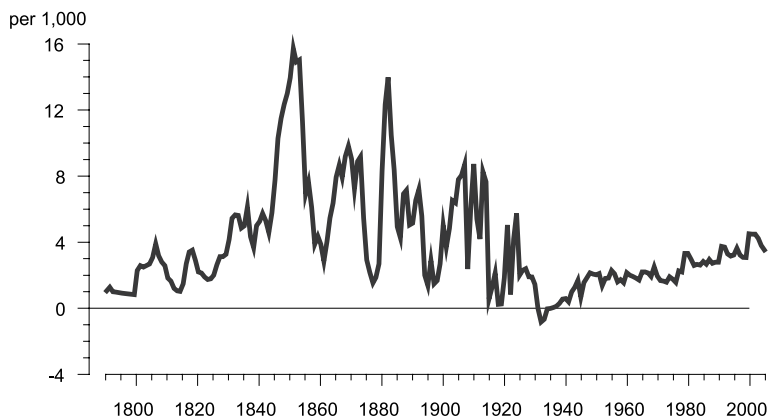
² See Roger Lowenstein (2006) for an accessible account of the debate.

³ Another problem is that some of the findings are driven by two significant outliers: Los Angeles and New York City. Both cities are major ports of entry for new immigrants even today.

1. American Immigration in the Age of Mass Migration

The several decades before World War I have been called the “Age of Mass Migration.” With the important exception of the Chinese, most of whom were barred from entering the country after passage of the Chinese Exclusion Act of 1882, America’s door was essentially open to all immigrants willing and able to come.⁴ It was not until 1917 that the U.S. Congress took measures to restrict immigration with literacy requirements and an expanded prohibition of Asian immigration. A few years later, the Quota Law of 1921 imposed numerical restrictions for the first time on immigration from non-Western Hemisphere countries, and then these quotas were reduced in 1924. The impact was dramatic. Figure 1 plots net immigration rates (net immigration per thousand members of the resident population) for the full range of the country’s history. Net rates which ran in the range of six to eight per thousand in the first fifteen years of the twentieth century fell below two per thousand after enforcement of the 1924 quotas. The Quota System was removed in 1965, replaced by the Preference System, and since then the net immigration rate has slowly drifted upward. In 2005, the rate was 3.5 per thousand, about one-half the level a century earlier.

Figure 1. Net Immigration per Thousand of Resident Population



Note: Immigrants include both authorized and unauthorized additions to the resident population. Net immigration is the difference between immigration to the United States and emigration from the United States. This series differs from the “official” figures that measure only arrivals and not departures, and because an effort is made to indicate the year of the immigrants, arrival and not the year of their official admission.

Source: Haines and Sutch 2006 and U.S. Census Bureau 2005.

⁴ There were some health and character restrictions as well. A brief chronology of U.S. Immigration policy can be found in Barde, Carter, and Sutch (2006, Table Ad-C).

The net immigration rate can be taken as a measure of the magnitude of the impact of an immigration flow on the receiving population. Since the relative magnitude of immigration was greater in the first decade of the twentieth century than in its last decade, the impact on labor markets, including the impact on the wages of the resident population, would presumably be greater and more easily detected. To be sure, the characteristics of early-twentieth-century immigrants were in some ways different from the “new” immigrants of the recent past. Furthermore, the structure of the two economies and their factor markets presented distinct institutional environments for the new arrivals to confront (Carter and Sutch 1998). But we argue that on balance these differences probably should accentuate the wage adjustments required in the earlier period relative to the recent period.

Immigration during the Age of Mass Migration was dominated by single males of young working ages. Today there are greater proportions of children, the elderly, and others who do not immediately join the labor force (Carter and Sutch 1998, 290). The impact on the labor market was, therefore, likely greater than the net immigration rate would suggest since a disproportionate fraction of immigrants from that period joined the labor force. Moreover, the age distribution of the resident population was more concentrated at younger ages than is true of today’s aging population (Sutch and Carter 2006, Series Aa125-144). Thus the young adults who dominated the immigrant flow at the turn of the twentieth century were more similar in age, background skills, and experience to resident workers than is true today. Thus we would expect more direct competition between the two groups.

Two widely cited studies, one by Claudia Goldin and the other by Timothy Hatton and Jeffrey Williamson, conclude that the mass immigrant arrivals during this period exerted strong downward pressure on the earnings of resident workers. Goldin reports, “wages were depressed in cities having an increase from 1899 to 1909 in the percentage of their populations that was foreign born” and “the results are even more supportive of the view that immigration severely depressed the wages of less-skilled labour” (Goldin 1994, 252). Hatton and Williamson conclude that “a 1 percent rise in the labour force due to immigration would have reduced the real wage in the long run by 0.4 per cent ... or 0.5 per cent” (Hatton and Williamson 1998, 172). Hatton and Williamson also report that crowding out was a significant phenomenon between 1880 and 1910, presumably as natives fled the regions that were attracting the immigrants as the wages in those labor markets fell in response to labor market flooding. Given the large magnitude of the immigrant flows, the age and skill mix of the immigrants

relative to the existing population, and the less-structured character of the American labor market at that time, these conclusions are certainly plausible. But are they correct? This chapter takes another look.

2. Modelling the Impacts of Immigration

Economic analyses of the consequences of immigration usually take as their starting point a static model of the labor market. In the simplest version of this model, labor is assumed to be homogenous in its productivity and other relevant characteristics so that immigrant and native-born labor are perfect substitutes. Demand for labor is assumed to be a downward-sloping function of the wage. The labor supply curve is assumed to be upward sloping (or in some expositions to be vertical).

According to this model, demand is assumed to be unaffected by immigration itself. Thus, for example, the analysis ignores the impact of immigrants in increasing demand for final products. It assumes an economy that is closed to trade with other regions so that an inflow of immigrants cannot lead to an increase in the production of traded goods or an in- or out-migration of resident labor. The increase in labor relative to capital is not allowed to simulate an inflow of capital or the adoption of new production techniques. We will return to relax these restrictive assumptions later. Our discussion of this simple version is intended, not as a straw man, but as a starting point for discussing our analytical framework.

Figure 2. The Textbook Economy

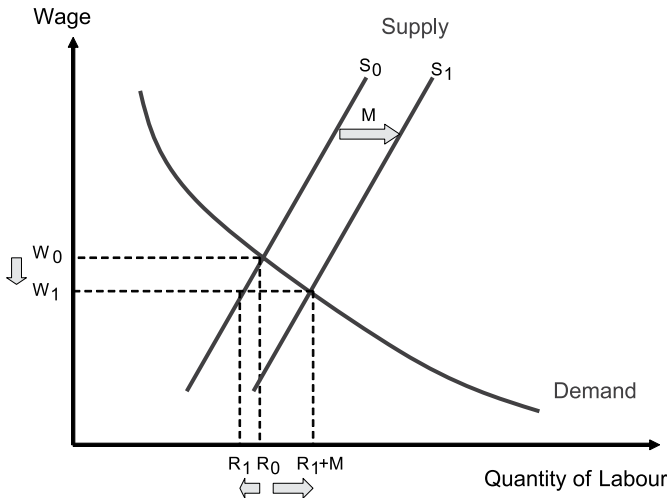


Figure 2 presents the familiar graphical analysis which we have labeled the “Textbook Economy” model. Before immigration, the labor supply curve

is S_0 . It establishes an equilibrium wage of W_0 and a quantity of resident labor hired of R_0 . If a flow of immigrant workers equal to M arrives, the supply curve for labor is pushed to the right as shown by S_1 . Here it is assumed that the supply of immigrant labor is perfectly inelastic; that is, wages do not influence the amount of immigrant labor supplied. The outward shift of the labor supply curve lowers the equilibrium wage to W_1 , reduces the employment of residents from R_0 to R_1 , and increases total employment to $R_1 + M$. The model assumes “full employment,” so the decline in resident employment is due to the voluntary withdrawal of labor services by residents unwilling to put forth the same effort at the reduced wage.

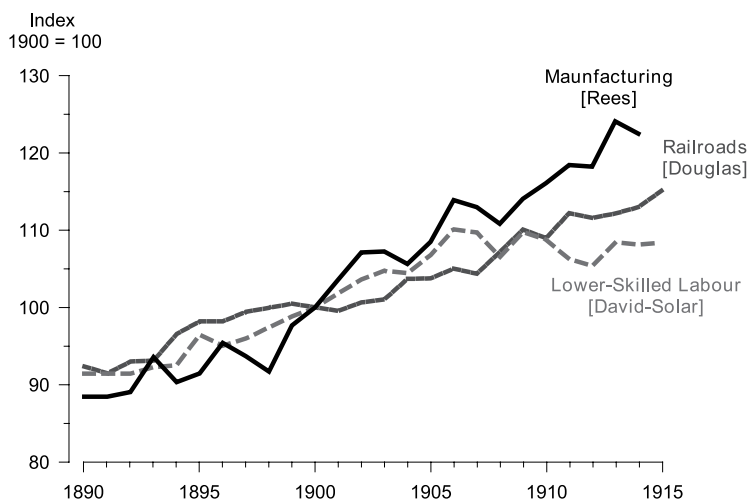
As students of the subject know, however, the presence of immigrants is often associated with *high*, not low wages. For example, when Friedberg and Hunt plot the average wage and salary income of the thirty largest cities in the United States in 1990 against the fraction of those cities’ population that is foreign-born, they find that “cities with higher immigrant densities also have higher mean incomes. The correlation between these two variables is 0.37” (Friedberg and Hunt 1995, 31). In a study of the American economy a century earlier, Goldin also found a strong *positive* relationship between the fraction of a city’s population that was foreign-born and the city’s average wage (Goldin 1994, 247).

There is another prediction of the simple model that fails the empirical test. Real wages in sectors that employed a large and growing number of immigrants during America’s Age of Mass Migration did not fall over time; they rose. Real wages at the end of the period were higher than at the beginning despite the influx of immigrants.⁵ Figure 3 displays three real wage series for the period: one for manufacturing, one for railroads, and one for lower-skilled labor. In 1910, manufacturing employed one-third of the foreign-born men while transportation and communications employed another 12 percent (Sutch and Carter 2006, Series Ad894-896). We suspect that a disproportionate number of the lower-skilled workers were immigrants.⁶

⁵ The simple model assumes one type of labor. Data reported here are averages across a variety of labor types. These averages are affected not only by the wage paid to each category of labor, but also by the relative share of the different occupations in the total. The impact of shifting relative shares on the average is called the “composition effect.” Since immigrants earned lower wages than the native-born, the growth of the immigrant share of the labor force would be expected to lower the average wage. Indeed, as the immigrant share of the labor force grew, it is theoretically possible for the overall wage to *fall* even when the wages of both the native-born and the immigrants were rising. That the average *rose* despite the negative composition effects means even stronger wage gains for immigrants, natives, or both, than trends in the average wage suggest.

⁶ The series on lower-skilled labor is the one used by Hatton and Williamson (1998). The Hatton and

Figure 3. Trend in Real Wages



Note: The data for “all manufacturing” are based on the hourly earnings estimates originally developed by Albert Rees (1961) and are considered superior to the manufacturing wage data estimated by Paul Douglas (1930). Douglas’ series on the weekly wages of railroad workers were derived from the reports of the Interstate Commerce Commission and are considered quite reliable. The series on low-skilled workers is taken from Paul David and Peter Solar (1977) but these are in turn based on the estimates published by Whitney Coombs (1926). Coombs based his estimates on the full-time weekly earnings of the lowest paid occupations reported for each industry by the Bureau of Labor Statistics. Since these data exclude most common laborers, the series is labelled “lower-skilled,” though Coombs and David and Solar call it “unskilled.” All three series were deflated by the David-Solar index of the cost of living (1860=100) and the resulting estimates of real wages were then converted to a common base where 1900 is set equal to 100. See the source for additional detail and for citations to the original sources.

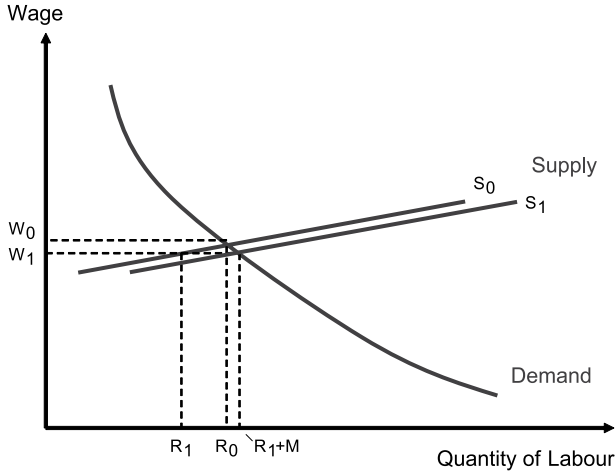
Source: Sutch and Carter 2006; Series Ba4314, Ba4316, Ba4218, and Cc2.

So what explains the failure of the straightforward predictions of the textbook model to accord with the facts? As we have noted, one explanation may be native flight or “crowding out.” This view takes as a starting assumption the notion that before the arrival of new immigrants the regional labor markets are in a country-wide equilibrium with an identical wage (after adjustments for particular regional conditions) prevailing in all markets. Thus the arrival of immigrants would push the local wage below the national level, inducing some residents of the impacted market to move to another area. In doing so, they restore a national equilibrium. This explanation, which we illustrate in Figure 4, is favored by Hatton and Williamson (1998, Figure 8.4, 166). They relax the textbook assumption that native workers are confined to the local market and postulate as a

Williamson wage series was developed by Williamson (1995, Table A1.1). Williamson’s source for the period in question is Paul A. David and Peter Solar (1977). See Williamson (1995, 176). In Figure 3 we plot David and Solar’s series for lower-skilled workers. Incidentally, the Williamson series is in error for 1889 and 1890.

consequence a highly elastic supply of resident labor, indicated here by the supply curve S_0 . If the local wage falls much below the national norm of W_0 , some local workers would depart, seeking higher wages elsewhere. It might be said that they were “crowded out” by the immigrants. On the other hand, if the local wage rises above W_0 , it will attract migrants from other regions. With a highly elastic supply of resident labor, the exogenous arrival of a number of immigrants equal to M will shift the labor supply curve to right as indicated by curve S_1 . As drawn here, wages fall, but by very little. The impact of immigrant entry is masked by the native flight. The employment of residents falls sharply from R_0 to R_1 . If every arriving immigrant worker inspired one resident departure, the wage and total employment would remain unchanged. The only change would be the replacement of native workers by immigrants.

Figure 4. Crowding Out



3. Locational Choices of Immigrants and Natives: State-Level Analysis

Hatton and Williamson are particularly concerned with the possibility of crowding out as depicted in Figure 4. They write,

Local labour market studies almost certainly understate (or miss entirely) the economy-wide impact of immigration on wages. After all, immigration will only lower wages in a local labour market insofar as it increases the total supply of labour. If instead there is completely offsetting native emigration, then a rise in the immigrant share is consistent with no change in the size of the local labour force and no wage effect of

immigration *compared with other local labour markets in which natives relocate*. But wages should fall (perhaps equally, perhaps not) in all locations (Hatton and Williamson 1998, 171; emphasis in the original).

The most powerful element of Hatton and Williamson's argument that immigration was harmful to resident workers, therefore, is their finding that crowding out was substantial.⁷ They estimate that

... an additional 100 foreign-born in-migrants to these northeastern states increased native-born out-migration by 40. While this is not quite the one-for-one Filer found for late-twentieth century America ..., it is substantial crowding-out nonetheless" (Hatton and Williamson, 1998: 168-169 citing Randall Filer 1992).

Hatton and Williamson's conclusions are based on an analysis of data assembled by Hope Eldridge and Dorothy Swaine Thomas (1964) from the decennial censuses. Hatton and Williamson focus on the three decades beginning in 1880. To identify possible crowding out, they begin by comparing regional differences in net native- and foreign-born in-migration rates calculated as a share of the native population. They call attention to three different regional patterns:

- (1) in the Northeast, low (but non-negligible) rates of native out-migration coupled with high rates of foreign in-migration,
- (2) in the South, high rates of native out-migration coupled with very low rates of foreign in-migration,
- (3) in the West, large inflows of *both* the native- and the foreign-born.

Hatton and Williamson concede that there was no crowding out in the South or the West. Few immigrants were going to the South, so they could not be the reason for native departures. Both natives and immigrants were going West in large numbers, so immigrants do not appear to have thwarted the natives' westward march. If crowding out occurred, it would have to be

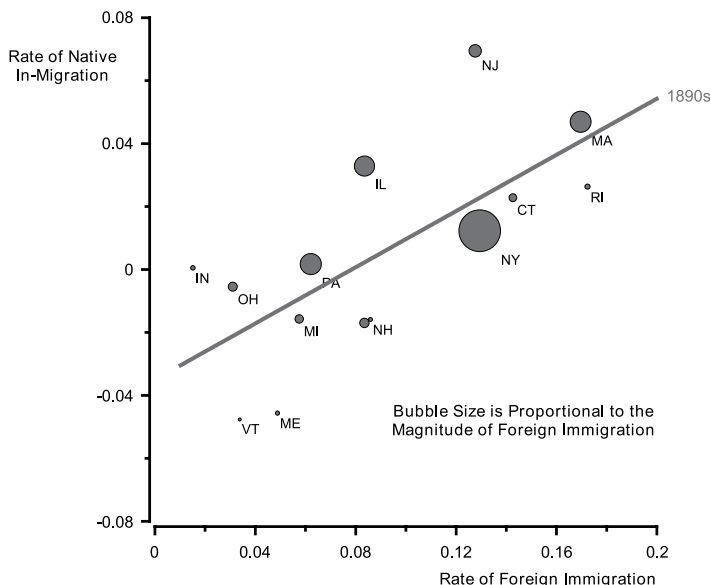
⁷ Hatton and Williamson also directly address the issue of whether immigrants reduce wages nationally (1998, 171-173). They adopt an approach that we find unconvincing. See Carter and Sutch (1999, 332-333) for a discussion of our reservations.

in the populous fourteen states of the Northeast that were attracting large numbers of immigrants while at the same time losing many of their native-born. It is to states in this region that the Hatton-Williamson crowding-out results reported above apply. Here we review their evidence.

Figure 5 plots for each state the net migration rates of the native- and foreign-born for the 1890s.⁸ The surprise, in seeming contradiction to the conclusions presented by Hatton and Williamson, is the *positive* correlation between native- and foreign-born migration rates. That is, states experiencing the largest exoduses of the native-born – Vermont, Maine, New Hampshire, Michigan, and (hidden just to the upper right of New Hampshire) Wisconsin – reported very small inflows of foreign-born. Immigrant inflows were less than one percent of the resident population. While on balance more native-born left these states than entered, crowding out by foreigners does not appear to explain the exodus. More likely, the native-born left because of the poor state of New England agriculture and the attractive agricultural opportunities out West (Barron 1984). States with the heaviest inflows of the foreign-born – Rhode Island, Massachusetts, Connecticut, New York, and New Jersey – on the other hand were also *attracting* the native-born migrants.

⁸ The data for other decades is qualitatively similar. The correlation coefficients between native- and foreign-born net migrations are 0.64, 0.70, and 0.77 for the decades of the 1880s, 1890s, and 1900s, respectively. Only Wisconsin in the 1880s displayed migration patterns consistent with possible crowding out. In that decade an 18.7 percent immigration rate was associated with an 8.2 percent outflow of the native born.

Figure 5. Hatton and Williamson's Test of Crowding Out



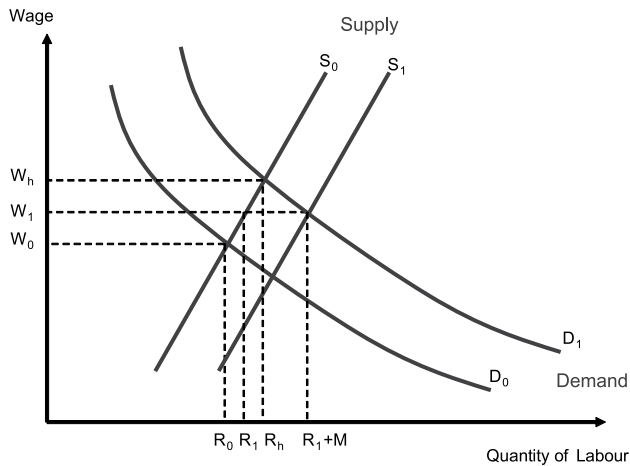
Notes: The rates graphed are the net migrant flows over the decade divided by the average native-born population. Thus 0.08 represents an 8 percent inflow over a ten-year period or an average annual migration rate of eight-tenths of 1 percent. The state names are indicated by a two-letter code: CT, Connecticut; IL, Illinois; IN, Indiana; MA, Massachusetts; ME, Maine; MI, Michigan; NH, New Hampshire; NJ, New Jersey; NY, New York; OH, Ohio; PA, Pennsylvania; RI, Rhode Island; and VT, Vermont. The plotted point for Wisconsin is the small dot partially hidden by the plotted observation for New Hampshire.

Source: Eldridge and Thomas 1964, Tables A1.11, A1.12, and A1.14.

In Figure 5 we present the same data that Hatton and Williamson use in their analysis. How is it that they reached their seemingly opposite conclusion that the arrival of 100 foreigners prompted the out-migration of 40 natives? We can best explain the logic of their argument by reference to Figure 6. Begin with an initial equilibrium wage in, say, the Massachusetts labor market of W_0 with total employment consisting entirely of resident workers, given by R_0 . Now let there be a demand shock that shifts the demand for labor curve out from D_0 to D_1 . In the absence of immigration, the wage would rise to W_h and resident employment would increase to R_h . Now let M foreign-born workers respond to the wage increase by moving to Massachusetts. This shifts the supply of labor curve out to S_1 , reduces the equilibrium wage to W_l , and reduces resident employment to R_l . The “crowding out” of natives that Hatton and Williamson measure is not a reduction in native employment to a level below R_0 . Rather, it is the difference between the hypothetical resident employment increase to R_h and the actual employment R_l . In other words, natives and immigrants were both moving to the same dynamic locations. As they accurately put it, “strong labour demand crowding in and foreign-born immigrant crowding

out were both at work in this case” (1998, 167). Hatton and Williamson’s measure of a four for ten “immigrant crowding out” was actually offset by “labour demand crowding in.” Natives were crowded out only in the sense that their inflow might have been larger still had the immigrants failed to arrive.⁹

Figure 6. Hatton and Williamson’s Diagram



We suggest that Hatton and Williamson’s effort to measure a hypothetical crowding out separate from the inflows induced by strong labor demand is misleading. The crowding out that is associated with a harmful impact of immigration, by definition, can only occur if wages fall below the national average. But at W_1 and R_1 wages are higher than in the initial equilibrium and native employment is greater. The appropriate question is whether there is a negative relationship between foreign immigration and resident migration. There is not. The state-level data on immigration and native migrant flows do not support the conclusion that immigration during this period reduced the wages of residents.

4. Locational Choices of Immigrants and Natives: County-Level Analysis

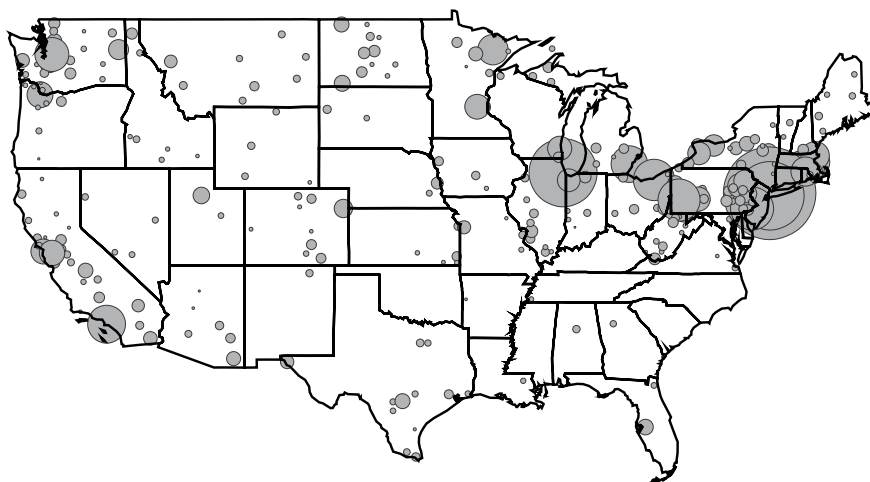
Earlier we showed that state-level data for the fourteen states of the Northeast were characterized by a positive correlation between the destinations of resident and foreign-born workers. While state data is better than regional data, even states are too heterogeneous to reveal migration flows across

⁹ This definition of crowding out may overstate the case since the model rules out, by assumption, a number of processes by which immigrant arrivals may increase local wages, thereby increasing their attraction to native-born workers.

labor markets. New York in 1900, after all, included both big industrial cities and thinly populated, rural, agricultural areas. To focus more directly on the labor markets we examine migrant flows at the county level between 1900 and 1910. These data demonstrate that there was no crowding out. Instead, native and foreign-born were migrating to the same counties.

Our county-level data comes from the published returns of the U.S. Censuses for 1900 and 1910, which reported county-level data on population disaggregated into native (white, black, and other races) and the foreign-born. For 1910 we also have these population figures for those ten years of age and older.¹⁰ We use these data to calculate a crude measure of net in-migration of the native and foreign-born into each county.¹¹

Figure 7. Immigrant Magnet Counties, 1900-1910



Note: All 318 counties with an increase in the foreign-born population (aged 10 and older in 1910) equal to or greater than 1,000 are indicated. The bubble size is proportionate to the numerical increase in the foreign-born with New York and Kings Counties in New York State the largest, with increases of 362 and 195 thousand, respectively, followed by Cook County, Illinois (the site of Chicago with 193 thousand), and Philadelphia County, Pennsylvania (75 thousand).

Source: Haines 2004 and authors' calculations.

¹⁰ These data are available in machine-readable format for the Inter-University Consortium for Political and Social Research (Haines 2004).

¹¹ A discussion of the method used to calculate the net migration rates is given in Sutch (1967). Some county boundaries changed between 1900 and 1910, some counties were partitioned to form new counties, and some counties changed their name. We have used the maps in William Thorndale and William Dollarhide (1987) to aggregate counties in 1910 in such a way as to produce a contiguous area that closely matched the boundary of a 1900 (or an appropriate aggregate of 1900 counties). This procedure produced approximately 2,800 county or county-like regions in 47 states or territories and the District of Columbia. The data set excludes Oklahoma and Indian Territories (1900) and the State of Oklahoma (1910). Because of incomplete enumerations, four Indian Reservations (Standing Rock, Cheyenne River, Pine Ridge, and Rosebud) all in South Dakota and Williamsburg County, Virginia were excluded. Alaska and Hawaii Territories are not included.

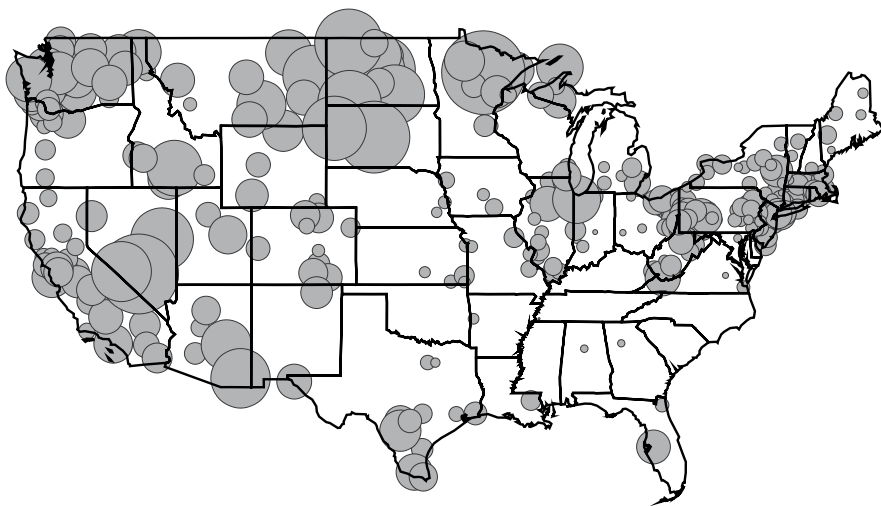
Figure 7 identifies what we call “Immigrant Magnet Counties.” These are the 318 counties that experienced a net increase of 1,000 or more immigrants over the decade. Bubble size is proportional to the numerical increase. It is clear from the figure that immigrants disproportionately settled in the industrial counties of the Northeast and Midwest and, to a lesser extent, along the Pacific coast. In general, the Immigrant Magnet Counties are the ones that had already established a strong immigrant presence in the nineteenth century. Some evidence in support of this view is that there is a strong correlation between the foreign-born population in 1900 and the net foreign in-migration over the following decade.¹² Perhaps immigrants’ locational choices had nothing to do with high wages but instead were most heavily influenced by the presence of other immigrants, particularly their families and friends from the home country who had immigrated earlier.

Figure 8 helps to clarify the relative role of family and friends versus economic factors such as high wages in attracting immigrants in this era. It displays what we call an Immigration Impact Index for each magnet county. We define this as the increase in the number of foreign-born between 1900 and 1910 per thousand *native-born* residents in 1900. It shows that the largest increases in immigrants relative to the native population occurred in counties in the upper Midwest, Mountain, and Pacific regions, not those of the industrial Northeast.

Of the 318 “Immigrant Magnet Counties” depicted in Figure 7, 72 percent experienced a positive inflow of *both* foreign-born immigrants and native in-migrants. Figure 9 presents a log-log scatter diagram that plots each of the magnet counties in a manner designed to illustrate the relationship between the total net in-migration (native and foreign-born) and the net increase in the foreign-born population. The 45-degree line represents the locus of points where the increase in the foreign-born and the total in-migration are the same. Counties plotted above the 45-degree line experienced a net in-migration of *both* the native- and foreign-born. Counties below the 45-degree line experienced a net *in*-migration of foreign-born and an offsetting net *out*-migration of native-born. Perhaps the arrival of the foreign-born prompted the native-born to flee by depressing wages.

¹² The correlation between the logarithms of the two numbers is 0.79.

Figure 8. Immigration Impact Index

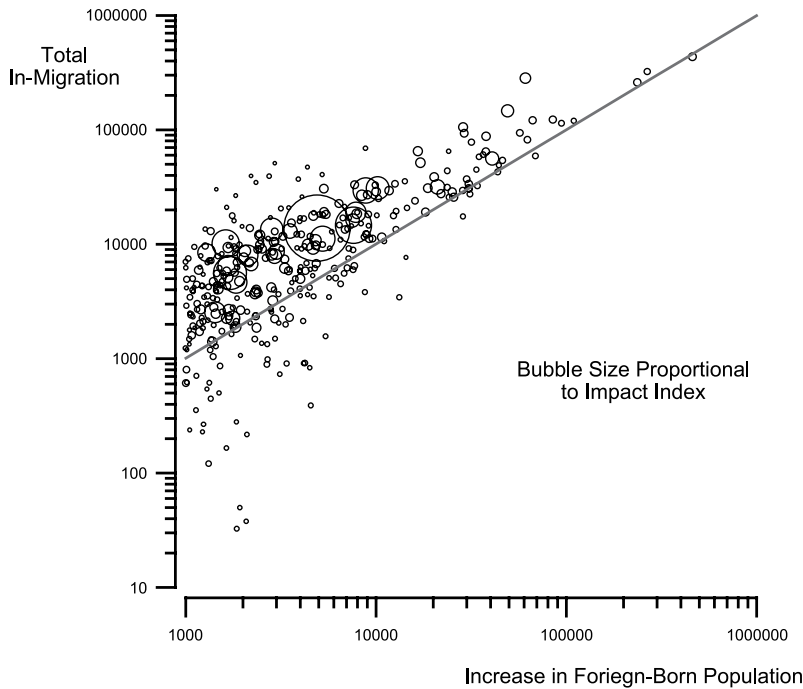


Note: All 318 counties with an increase in the foreign-born population (aged 10 and older in 1910) equal to or greater than 1,000 are indicated. The bubble size is proportionate to the rate of foreign immigration.

Source: Haines 2004 and authors' calculations.

We cannot conduct a formal test of this hypothesis since we do not have county-level wage data, but we suggest that the pattern displayed in Figure 9 is not consistent with an interpretation that the counties below the line exhibited crowding out. The sizes of the bubbles in the diagram indicate the magnitude of each county's immigration impact index. Where the impact of immigration was the greatest (indicated by large bubbles), we find that both natives and immigrants had poured into the county. In all of the counties below the line, the immigration impact index is quite low (the bubble sizes are small). Only four counties below the line had an impact index greater than the *average* index of those above the line. These patterns suggest that the reason for the native outflow from the counties below the line was unlikely to have been due to a proportionately heavy foreign-born inflow. We conclude that the crowding-out mechanisms did not operate during the Age of Mass Migration in any general way. Instead, natives and immigrants were both moving to the same high-wage regions. These findings suggest that the immigrant arrivals were not reducing the wages of resident workers in this period.

Figure 9. Total Net In-Migration and the Increase in the Foreign-born Population, 1900-1910



5. An Alternative Model of Immigration’s Impact

As we noted, switching the focus to a period a century ago prompts us to adopt a dynamic perspective that we believe may resolve the contradiction between the elementary models of immigration (including the crowding out model) which predict a decline in wages, and the empirical studies that find little or no evidence for such an effect. The simple models assume that the only change in a labor market experiencing immigration is the exogenous outward shift of the labor supply curve. This assumption is systematically violated in the real world. It is scarcely an exaggeration to say that it is *never* the case. Immigrant entry not only responds to market conditions, it also stimulates market change.

We also suggest that it is impossible to imagine a plausible sequence of events in which immigrant entry occurs in isolation of other related changes. To take only the most obvious consequence, the arrival of newcomers will increase the demand for final products. Immigrants have to eat and find shelter and they can be counted on to purchase many other goods and services ranging from necessities to indulgences. But, when immigrants purchase these items, output will respond and thus the demand for labor will shift out. Because the shift in the labor supply curve inevitably is

accompanied by a shift in the labor demand curve, it is extremely difficult to measure a “pure” wage impact of immigration on resident wages holding “other things equal.” The inherent technical and conceptual difficulties of this problem, heightened by the political implications of the results, are what make the issue of immigrant impacts so contested. We suggest that immigration is interesting and important precisely because of those features that make measurement of its wage impact problematic.

In addition to the labor demand shifts that occur *pari passu* with the arrival of immigrants, history suggests that immigrants are generally drawn to localities, occupations, and industries experiencing innovation, growth, and evolutionary change. In other words, they do not locate in stagnant textbook labor markets. Our first suggestion then is that immigrants differentially select destinations with high and/or growing wages. The reasons why this might be true are easy to understand. Immigrants have already made the decision to leave home; they select their final destinations using economic criteria. Indeed, immigrants’ selection of high-wage cities was Goldin’s explanation for the positive correlation between the city wage and the foreign-born share that she found about 1900 (Goldin 1994, 247). A simple expression of this possibility is depicted in Figure 10, which we label the “Dynamic Economy” model. We begin with the assumption that wages in all local labor markets are in equilibrium at the intersection of the original demand and original supply curve, the point shown by W_0 and R_0 . We then let the labor demand curve in a selected city shift outward, perhaps reflecting a resource discovery. As a result, wages in that city might be expected to rise to W_h and resident employment to expand to R_h . However, since immigrants are mobile and attentive to economic rewards, they select the city with the dynamic economy over all others. When they do so, they cause the supply of labor curve to shift out (and become more elastic) at wages above W_0 . Employment expands from R_0 to $R_1 + M$. Although the resulting wage rate, W_1 , is below the counterfactual wage W_h , it may nevertheless remain for some time above the initial level W_0 , and therefore above the wage in cities that did not experience the positive demand shock. Resident employment also expands from R_0 to R_1 .

Figure 10. Dynamic Economy Model

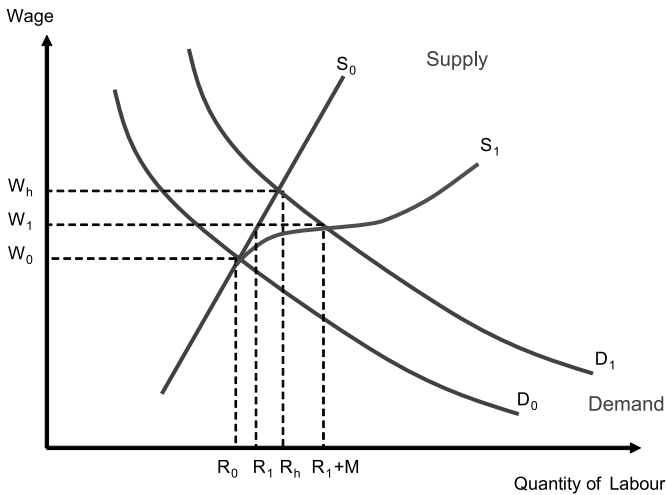
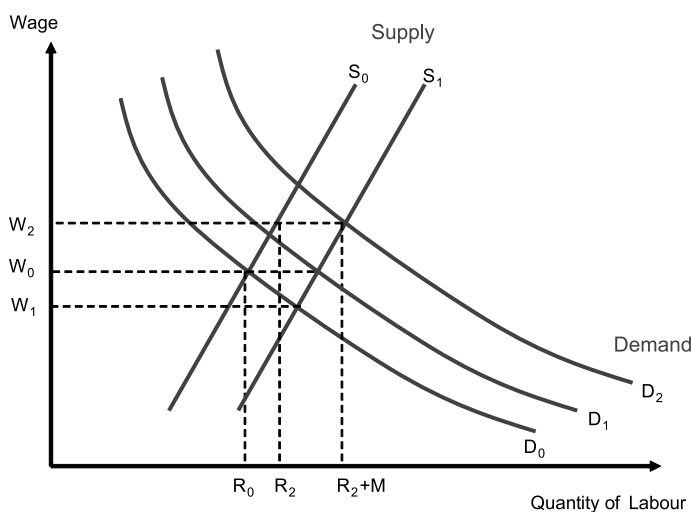


Figure 10 provides a framework for interpreting Goldin's finding of a negative wage impact. When she reports, "wages were *depressed* in cities having an increase ... [in their] foreign born" (emphasis added), she is referring to the difference between W_h and W_1 , not to a wage below W_0 . This subtlety is overlooked in many summaries of Goldin's contribution. Reviews of Goldin reported by Hatton and Williamson (1998, 170), Dolmas and Huffman (2004, 1129), and Graham (2004, 60) suggest that immigrants depressed wages to a level below W_0 . This was not the case. Resident wages were high in cities with large numbers of immigrants. The dynamic economy model assumes a demand shock unrelated to immigration. A second mechanism that would explain the failure of immigration to have a depressing impact on wages is an *induced* demand shift, that is, a shift in demand that responds to the arrival of immigrants. More foreigners – or indeed more population from any source by itself – should not mean lower wages or increased unemployment, because the additional people not only supply labor but also add to the demand for output in a closed economy. Even if we relax the textbook assumption of a closed economy and allow local labor markets to import goods from another region to meet the expanding demand, this induced-demand story will still be valid. This is because some goods and services must be produced where they are consumed – restaurant meals, construction, and educational and medical services. In addition, an open economy will respond to an increase in its labor force by expanding production of tradable commodities in which it has a comparative advantage. Thus an exogenous entry of immigrants that produces an outward shift in the labor supply curve will prompt a positive

response from the labor demand side of the market. It is also conceivable that, with an open economy, the impact of immigration may increase resident wages if the expansion of local industry pursuing a comparative advantage also allows those firms to exploit economies of scale (Romer 1996; Brezis and Krugman 1996) or if strong complementarities between immigrants and residents are at work (Ottaviano and Peri 2005).

Figure 11. Open Economy Model



This mechanism is depicted in Figure 11, which we label the “Open Economy” model. Before the arrival of the immigrants, the market is in equilibrium at W_0 and R_0 . An exogenous inflow of immigrants then shifts the labor supply curve from S_0 to S_1 temporarily driving the wage down to W_1 . The relatively low wages attract new firms to the city. This response shifts the labor demand curve from D_0 to D_1 , thereby restoring the wage to its initial level. Borjas, Freeman, and Katz (1997) suggest that these shifts in industrial structure play a quantitatively important role in the adjustment of city wages to immigration shocks. If economies of scale exist, then the demand for labor might shift out even further as the region’s firms exploit their competitive advantage *vis à vis* competitors in other regions. Then wages might rise to W_2 and, if so, the employment of native residents would increase from R_0 to R_2 .

6. Conclusion

The dynamic and open economy models portrayed in Figures 10 and 11 imply that immigration does not harm resident workers in the common-sense way in which the term “harm” is generally understood. In both of these cases, the wage either increases or remains the same and the employment of residents is not reduced. The empirical evidence from 100 years ago suggests that wages of residents increased and the local employment of residents increased in the presence of heavy immigration. The estimates reported by Goldin and Hatton and Williamson of a wage setback for resident workers are only valid if we interpret them to suggest that resident wages would have risen even faster without immigration.¹³ Such a counterfactual estimate is problematic for at least two reasons. If one is looking either for an explanation of political opposition to immigration in the past, as was Goldin or Williamson in an earlier article (1982), or if one is defending a proposal to restrict immigration in the present, what is likely to matter most is whether real wages fall in the presence of immigration, not whether the growth of real wages is slowed (Williamson 1982, 256). Second, as articulated by Goldin and Hatton and Williamson, the counterfactuals that they offer assume that there is no impact of immigration on the forward momentum of the economy. Yet, there is every reason to suppose that without the immigration, wage growth, even in these high-wage cities, might have been slower or even halted. There is a broad consensus that immigration accelerated the rate of economic growth. The key mechanisms emphasized in the literature, are:

- The high labor force participation rate of immigrants,
- Immigration-induced capital flows from abroad,
- High immigrant saving rates,
- Increase in population-sensitive investment,
- Economies of scale,
- The roles of immigration in stimulating inventive activity and of population growth in accelerating the adoption of new technology,
- The importation of significant stocks of human capital without cost to the American economy.

For a review of the literature see Carter and Sutch (1999, 319-332).

In a dynamic economy there is also a more direct connection between immigration and growth. The fact that immigrants opportunistically select

¹³ These authors, we think, would accept this interpretation of their findings.

local markets with the highest wages suggests that the ebb and flow of immigrants can act as a “governor” for the economy. By reducing the rate of wage growth, the local business boom can continue without being choked off by explosive wage growth (Carter and Sutch 1999, 338-339). Thus the fact that the wage does not reach the hypothetical level of $\mathbf{W}_h$ can be considered as good for the economy and as good for resident workers.

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Circular Internal Migration and Development in India

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1. Circular Internal Migration and Development in India

It has been recognized for some time by migration experts that internal short-term population movements ranging from daily commuting to seasonal migration have become widespread all over Asia. India is one such country where internal migration is more important than international migration in terms of the numbers of people involved and possibly even the volume of remittances. Besides, temporary internal migration is more likely to involve the poor, lower caste, and less educated and thus has large implications for poverty reduction and meeting the Millennium Development Goals (MDGs). Such movements have become a routine part of livelihood strategies for people living in marginal areas such as drought-prone villages and forested areas and there is powerful evidence which shows that temporary migration is growing. India is now criss-crossed all over by thousands of circular migratory routes between villages within the same district, across districts, and across states sometimes at opposite ends of the country.

But policy remains ill-informed and ill-suited to supporting people who move around for work. This is partly to do with faulty data collection but also to do with urban, middle-class attitudes which are biased against illiterate, poor, and lower-caste people, accusing them of overcrowding cities and spreading disease, crime, and filth. Current approaches to poverty reduction have sought to create employment in rural areas and many (such as watershed development programs) aim to reduce migration. A combination of policies that aim to keep people out of cities and keep them in villages has resulted in millions of poor migrants not being entitled to government assistance even though they are contributing significantly to economic growth. While policies that seek to limit population movements will certainly not stop people from migrating, they will obstruct a potentially important means of reducing poverty and developing marginal areas.

The focus of this paper is circular labor migration, wherein poor people from low productivity areas migrate for part of the year, often on a

seasonal basis, to areas with more job opportunities and wages. The central argument is that this kind of population movement is increasing, and while the outcomes for those who move and those left behind are not uniformly positive, on balance, circular migration is preventing people from sliding further into poverty and helping some to escape poverty. Without the opportunity to migrate, millions of people would be dependent on deteriorating employment in agriculture and forests.

The paper begins with an overview of migration trends based on recently emerging quantitative and qualitative data. It then goes on to discuss major areas of debate in the discourse on migration, including conflicting evidence on migration trends and the inadequacy of official statistics in capturing temporary migration, the informal economy, migration and poverty reduction, migration and caste, migration and the development of marginal areas, official neglect, and the difficulties faced by migrants. Finally, the implications for policy on urban and rural development are discussed and a plea is made for urgent support to migrants.

2. Conflicting Evidence on Migration Trends

While there are no accurate figures on the number of temporary migrants in India, the latest figure doing the rounds in policy circles is thirty million, which is ten million up from the informal estimate of a year ago.¹ But given the kind of micro-level evidence that is emerging from various parts of the country, this author argues that even thirty million is an underestimate.

A large number of village studies from different parts of the country conducted in the last five years show a marked increase in temporary migration for work. This includes seasonal migration, circular migration, and other forms of short-term population movements such as commuting. While some of these studies are based on resurveys of villages others have used recall to arrive at this conclusion. The evidence is emerging from marginal areas all over the country. Roughly 66 percent of the arable land area in India is limited to dryland agriculture due to climatic factors, soil erosion, poor water retention capacity, etc.

For example, a study of Bolangir district in Orissa estimates that nearly 60,000 people migrated during the drought of 2001 from that district alone (Wandschneider and Mishra 2003). Bolangir is one of the three infamous KBK (Koraput-Bolangir-Kalahandi) districts in Orissa with low levels of

¹ An informed guess by migration policy researchers on the DFID-funded Western India Rainfed Farming Project (see Jones and de Souza).

agricultural production and persistently high levels of poverty. Studies in the drought-prone areas of West Bengal by Rogaly et al. (2002) observe that over 500,000 tribal, Muslims and lower-caste people migrate seasonally to the rice-growing areas of the state.

Madhya Pradesh shows similarly high levels of outmigration from both drought-prone and forested tribal areas. For example, Deshingkar and Start (2003) found that more than half the households in four out of six study villages in Madhya Pradesh included migrant family members. The proportion was as high as 75 percent in the most remote and hilly village with infertile soils.² A study by Mosse et al. (1997) of the first phase of the Western India Rainfed Farming Project (Madhya Pradesh, Gujarat and Rajasthan) funded by the Department for International Development (DFID) revealed that 65 percent of households included migrants. A few years later, another study in the same area found in many villages up to three-quarters of the population to be absent between November and June (Virgo et al. 2003). In Andhra Pradesh, a study by the Society for the Promotion of Wasteland Development (SPWD)³ in the highly drought-prone and poor district of Ananthapur similarly showed an increase in migration between 1980 and 2001 (Rao 2001).⁴ Migration among small and medium farmers has increased mainly because of the lucrative Bangalore market, which pays INR100 (Rs.) to INR150 (Rs.) per day, nearly three times more than the local wage.

Karan's study of labor migration in northern Bihar based on primary survey data collected from 1981 to 1983 and from 1999 to 2000, from six randomly selected villages (two each in Gopalganj, Madhubani, and Purnea districts) showed that increasing rural-urban migration to work in the non-farm sector was the new trend. The traditional destinations of rural Punjab and Haryana are not as popular as they were twenty years ago because fewer jobs were available as agriculture became more mechanized. He found that migration rates had almost doubled from 7.5 percent to 13.4 percent of the total population during the intervening period. There had been an increase in long-term migration, but this concerned mainly the upper and wealthier classes. Though migration duration for the poor also increased, there were still more short-term migrants among them. Roughly 24 percent migrated to work as non-farm labor in 2000 against 3 percent in 1983. The figures

² For more details of studies, see Annex 1.

³ The Society for the Promotion of Wasteland Development is an internationally respected NGO working in India on participatory management of natural resources. The study was part of a larger research study on "Household Livelihood and Coping Strategies in Semi-arid India," by the Natural Resources Institute, UK.

⁴ Based on focus-group discussions and key informant interviews across eight villages.

for agricultural labor were 15 and 1 percent, respectively. Dayal and Karan (2003) studied 12 villages in Jharkhand, using household surveys and PRA methods. They found that one-third of the households had at least one member migrating. Short-term migration was higher among poorer groups, involving over 80 percent of the landless and 88 percent of illiterates.

Studies conducted by SPWD in Jhadol tehsil of Udaipur, Rajasthan, a typically drought-prone area, found that 50 to 75 percent of the population migrates seasonally to work in agriculture in Gujarat. In Girva, another drought-prone area, 25 percent of the households have commuters who work in sand mining, stone quarrying, and construction work, and another 25 percent migrate over long distances to work as, e.g., truck drivers, while a further 10 to 15 percent work in service sector jobs in the urban informal economy.⁵ Seasonal migration began in Jhadol fifteen to twenty years ago. First, young boys and girls migrated in groups to the fertile Malwa region to harvest chilies, garlic and wheat for two to three weeks at a time. But this kind of migration is no longer seen. Later, young men started traveling to construction sites for four to six months in a year. Now more than half of the households have at least one person (male) who is employed as wage labor for eight to ten months in a year in nearby Pratapgarh, Udaipur (140 kilometres away) or Ahmedabad (250 kilometres away). Women migrate only from female-headed households for agricultural labor during the harvest season at the destination.

Gujarat emerges as one of the top destinations in the country. A study of migration in Gujarat and Rajasthan by Jagori, a nongovernmental organization (NGO) working on women's rights in Delhi, highlights the magnitude of temporary migration in several sectors. Fish processing attracts large numbers of women from Kerala – there were 5,000 in just one processing area of Veraval. The thousands of “saltpan” workers along the coastal area are also mainly migrants. Ship-breaking yards also employ large numbers of migrant workers from UP, Bihar, and Orissa. Additionally, an estimated 100,000 migrant workers from Orissa work in the powerlooms in Surat city (Jagori 2001).

Punjab has also been a favorite destination for a long time, first for jobs in agriculture and recently for industrial jobs. The latest Human Development Report for the state of Punjab in India identifies migration streams into the state from the poor areas of all northwestern states as well as eastern and central states. Wage rates are double that in Bihar and Uttar Pradesh (UP). Agriculture attracted 700,000 (mainly seasonal) migrants per year in the

⁵ Personal communication with Viren Lobo.

1990s but other sectors attracted a further 1.4 million migrant workers. In the early 1980s, 40 percent of the workers in the unorganized hosiery sector were migrants. Numbers have increased steadily since the 1970s. Migrant workers also form a large proportion of the workers in the twenty-two sugar mills in the state.

These are just a few examples; a number of other studies show very high levels of temporary migration, particularly in the case of underdeveloped regions. The main point is that, in the absence of other opportunities to diversify locally, many households are exploring outside opportunities but are keeping options open in their villages.

In addition to these studies, there are plenty of other examples, many of which continue to be regarded as “anecdotal” and remain undocumented. Project staff and local government officials who are involved in rural livelihood programs frequently mention the growing incidence of seasonal migration. For example, staff of the DFID funded Western Orissa Livelihoods Project estimate that around 300,000 laborers migrate from Bolangir every year. Bolangir is one of the poorest and most drought-prone districts in the state. Similar numbers have been reported by staff on the DFID-funded Andhra Pradesh Rural Livelihoods Project from Mahbubnagar, a poor and dry district in Andhra Pradesh.

In sharp contrast to the narrative that is developing through village studies, macro-level data sets and studies based on these tend to underemphasise the importance of migration and may even draw the conclusion that population mobility is decreasing. Amitabh Kundu, a leading analyst on rural-urban links in India, argues that mobility is decreasing despite inter-regional inequalities (Kundu 2003). According to him, the explanation may lie in the fact that rural migrants are no longer settling in town and city centers but tend to move to the periphery where they may not be counted as migrants. Other analysts such as Munshi and Rosenzweig (2005) believe that India has a relatively low level of population mobility despite increasing inequalities because caste networks smooth consumption in rural areas, preventing the need to move. But the main problem with conventional surveys on which such analyses are based, is that they are unable to capture information related to temporary movement and part-time occupations. We return to this issue later.

3. Why People Move

The decision to move is complex – it is not just a simple rational choice by individuals seeking to maximize incomes but a decision rooted in social relations and influenced by history, culture, and policy regimes as, abundant research has shown. Although the decision to migrate cannot be explained through simplistic push-and-pull analyses it does help to identify some of the new pushes and pulls that are facing people who live in marginal areas of India today.

4. The ‘Push’: Declining Opportunities in Agriculture

Surplus labor arising from the scarcity of cultivated land, inequitable land distribution, low agricultural productivity, high population density, and the concentration of the rural economy almost exclusively on agriculture have led to a continuous increase in outmigration. Having little access to land in a predominantly agrarian society leaves the landless and marginal farmers with few alternatives to migration. In India 80 percent of the holdings are now small and marginal and per capita net sown area is less than 0.2 ha.

4.1 Drought

Drought is the classic push affecting a growing number of people which exacerbates the problems described above. Nearly two-thirds of the arable land in India is rain fed and low potential, and this is where the effects of drought are most severe. Natural drought is exacerbated by manmade drought: groundwater exploitation in western and southern India has reached unsustainable limits (see several reports by International Water Management Institute).

A majority of the villages in the dry areas stretching across eastern Maharashtra, eastern Karnataka, western Andhra Pradesh, and southern Madhya Pradesh have very high rates of migration. A typical case is the drought-prone Mahbubnagar district in Andhra Pradesh, which has had high migration rates for several decades. It is now well known for the legendary *Palamur* laborers who work in construction all over India. The neighboring district of Ananthapur is also highly drought-prone and is one of the poorest districts in India. There too seasonal migration has become routine (Rao 2001). The study by Mosse et al. (1997) of the first phase of the DFID funded Western India Rainfed Farming Project (Madhya Pradesh, Gujarat and Rajasthan) revealed that 65 percent of households included migrants. Another later study in the same area found that in many

villages up to 75 percent of the population of is absent between November and June (Virgo et al. 2003). The dry areas of Bihar, Orissa, Gujarat and West Bengal are also known for high migration rates. Bolangir, a very poor and drought-prone district in Orissa, is a striking example. An estimated 60,000 people migrated out during the 2001 drought (Wandshneider and Mishra 2003) alone and, as mentioned before, current informal estimates are in the region of 300,000. The situation in the arid Panchmahals district of Gujarat (Shylendra and Thomas 1995) is similar, where seasonal migration was so high that 44 percent of the labor force was migrating and the average number of persons migrating from each household was 2.2, including women. The situation in many backward and dry areas of India is increasingly resembling this because of the low levels of diversification and deteriorating access to common property resources.

4.2 Poor Mountain and Forest Economies

Out-migration has also been historically high from poor mountainous areas which suffer similar problems of low agricultural productivity, poor access to credit, or other prerequisites for diversification and high population densities. A recent increase in migration has been reported from Uttaranchal by Mamgain (2003) as the fragile mountain ecosystem cannot support increasing populations. The poor mountainous districts of Nepal also have high rates of outmigration (Bal Kumar 2003). More or less the same factors create a push from many forested areas where population pressure has increased and livelihoods based on common property resources (CPRs) have become unsustainable. A study on linkages between the degradation of CPRs and out-migration in arid and semi arid regions by Chopra and Gulati (2001) found a significant positive relationship between land degradation⁶ and out-migration. The very high rates seen from forested tribal areas of Madhya Pradesh are an example of this.

4.3 Other Push Factors

The most recent push factor appears to be a fall in agricultural commodity prices brought about by macroeconomic reforms linked with liberalization and globalization policies. Fresh evidence of this has emerged across India. For example, recent research by Ghosh and Harriss-White (2002) in Birbhum and Bardhaman districts of West Bengal suggests that paddy

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⁶ Land degradation was measured through increases in the proportion of sheep and goats in total livestock. Out-migration was measured through increased sex ratio in favor of female). Among other important factors, irrigation was found to have a significant negative impact on out-migration.

producers are facing heavy losses as prices have fallen sharply by over 50 percent since 1999. This situation was created by the reduction of subsidies as well as the de-restriction of interstate transport, which has allowed cheaper paddy to come in from Bihar, as well as from Jharkhand and Orissa where distress sales were occurring. Another example is that of rubber – prices fell to a third of what they used to be five years before, because of cheap imports. Similar stories are being reported about tea, groundnuts, rice, and many other commodities that were previously remunerative. But there are few other academic studies in this area because it has emerged very recently. Press coverage, however, has been extensive.⁷ More research is urgently needed in this area.

5. The ‘Pull’: New Opportunities in the Urban Informal Sector

5.1 The Informal Economy

Many jobs in urban areas and even at the lower tiers of many large corporations are in the informal economy, which is expanding and larger than the formal economy, accounting for around 60 percent of the GDP and more than 92 percent of the workforce.

Contrary to conventional wisdom, informal sector jobs do offer prospects for accumulation and exiting poverty because even if wages are not higher than rural areas, more work is available and there are unmatched opportunities for switching rapidly between different non-farm jobs where entry barriers are low (e.g., security guards, street vendors, bicycle rickshaw pullers, house maids, porters, attendants, petty traders, etc.).⁸ However, many informal sector jobs actually become illegal because very few permits are issued and this fuels an enormous system of bribery and corruption known as the “licence permit raj” in India. Clearly there is a need to deregulate the informal sector in ways that support multi-locational livelihood strategies, but as Box 1 shows, this is not an easy proposition and there are few successful examples.

⁷ Several articles have been published in *The Hindu* a respected English newspaper in India, particularly by P. Sainath, an internationally recognized journalist writing on drought, poverty and migration who is known for his book *Everybody Loves a Good Drought*.

⁸ See Harris 2004.

Box 1: The Bicycle Rickshaw Economy and Challenges for Policy

Bicycle rickshaw pulling is one of the main jobs that poor and illiterate people enter when they go to the city in Bangladesh and India. In Bangladesh bicycle richskaw driving is the second most economically important occupation for the poor after cropping (pers comm. Bijoy Kumar Barua, Addl. Dir. Gen Bangladesh Academy for Rural Development). In New Delhi, the Indian capital, there were some 73,000 licensed and 300,000 unlicensed richskaws in 2001. Partially in response to civil-society group pressure, the government of India repealed the Cycle Rickshaw Bye-laws, and thus control over registration and regulation of rickshaws in 2001 in order to make it a more pro-poor environment. The impounding of rickshaws by the Municipal Corporation of Delhi (MCD) and by the Delhi police ended, barring a few “No Rickshaw Zones.” However, this led to an explosion in the number of richskaws to more than 700,000 in just one year, and the emergence of so-called rickshaw lords – people who own about 10,000 rickshaws each, charging a rent of Rs. 50 to 60 per twelve hours. What the government discovered was that rent seeking by officials was replaced by rent seeking by these richskaw lords. In case a rickshaw driver was unable to pay the rent, he faced the threat of being beaten up by the owner and having his belongings confiscated. The change in legislation was then reversed because of these problems and also because intelligence reports had suggested that many richskaw pullers were illegal immigrants from Bangladesh.

5.2 Hostile Urban Policies

Linked to the overregulation of the informal sector are urban development policies that are hostile to the interests of the poor. An important example is the Delhi Master Plan, which aims to keep migrants out. Added to it is the *floating population* which travels to the city every day from the National Capital Region (NCR).⁹ An estimated 500,000 migrants enter Delhi every year and they are viewed as a burden on the city: In an effort to ease this pressure, the Delhi government was speeding up plans for the development of townships in the National Capital Regions to divert the flow of population and reduce the congestion in the capital.¹⁰ Another example is the “Mee Mumbaikar” campaign launched by the Shiva Sena

⁹ <http://www.hinduonnet.com/thehindu/thscrip/pgemail.pl?date=2001/10/04/&>

¹⁰ <http://www.hinduonnet.com/thehindu/thscrip/pgemail.pl?date=2000/12/21/&>

in Mumbai, which capitalizes on people's fears that there has been a disproportionate influx of people from Uttar Pradesh and Bihar, although there are no official statistics to prove this. The Sena further alleges that the culture of the people from these states is altering the ethos of Mumbai.¹¹

6. Why People Continue to Circulate

Circular migration has been explained in the development literature as a contract of mutual cooperation and insurance between sending families and the migrants themselves. This occurs due to failures in both urban and rural markets (see Kuhn's 2000 study on Matlab in Bangladesh). The logic is that urban markets do not offer high-quality employment because the contracts are usually informal and do not carry social security/insurance. Rural areas do not offer access to much needed capital and therefore circular migration enables the household to access urban capital while maintaining rural security by maintaining the option of farming. Thus access to land is a critical element of circulation. According to this theory, the movement of entire families or the spouse to the destination and/or losing access to land in the village signifies the beginning of the end of circulation. But evidence does not always corroborate this – entire families may migrate seasonally year after year and also there are millions of landless circular migrants, and there may be a host of other reasons for choosing to keep a foothold in both locations.

7. How Migration Can Contribute to Poverty Reduction

While many authors maintain that migration is mainly a distress phenomenon – see for example D Narasimha Reddy (1990), Usha Rao (1994), Prasad and Rao (1996) – they rarely examine the counterfactual; i.e., what prospects exist within the village and what would these people have done in the absence of the opportunity to migrate?¹²

Seasonal migration can bring in crucial cash, which can be used to prevent the household from sliding further into poverty and even facilitate its exit from poverty. Seasonal migration is often linked to debt cycles and the need for money for repaying debts, covering deficits created by losses

¹¹ A parochial project LYLA BAVADAM Frontline, Vol:20 Issue:10 <http://www.flonnet.com/fl2010/stories/20030523004803200.htm>

¹² Existing Central and State legislation in India includes: the Minimum Wages Act (1948), the Inter-State Migrant Workmen (sic) Act (1979), the Contract Labour System (Regulation & Abolition Act) (1970), the Bonded Labour System (Abolition) Act (1975) for women under the Equal Remuneration Act (1976), the Construction Workers Act (1996), or the Factories Act (which, e.g., sets a handling limit for women of twenty kilograms).

in agriculture, or meeting expenditures of large magnitude on account of marriages, festivals, ceremonies, etc. The earnings from migration can be substantial. It was believed by many scholars for a long time that remittances form an insubstantial part of household income. A major proponent of this theory was Lipton (1980), who based his argument on the widely quoted Indian village studies conducted by the Institute of Development Studies at Sussex in the 1970s (Connell 1976), which estimated remittances at 2–7 percent of village incomes, and less for poor laborers. But the situation has changed and migrant remittances now account for a substantial proportion of household incomes in several marginal areas (dryland farming and forested areas) across the country. For example, Singh and Karan's study in Bihar (2001) found that remittances accounted for one-third of the average annual income of landless and marginal households sending migrants.

Dayal and Karan's study of twelve villages in Jharkhand found that 98 percent of the migrants reported an improvement in their lives because of migration. Remittances accounted for 23 percent of the annual household income in sending households. Migrant households have a better diet and spend on average 15 percent more on food than non-migrating households. Roughly 13 percent of those owning five to twenty acres of land spent their additional income on productive uses. Mukherjee's study of migrant women from West Bengal to Delhi who go to work as housemaids notes that the additional income has helped them to come out of poverty and acquire some dignity, but the social costs have been high because they are separated from their families (Mukherjee 2004). A recent study of nine villages in Jhadol, Rajasthan (Custer et al. 2005) shows that remittances accounted for 42–48 percent of total household earnings. Khandelwal's 2002 study of temporary migration from the Ghattu Mandal of Mahbubnagar District, in Andhra Pradesh, found that migrants to the paddy fields of Karnataka save on average Rs. 2000–3000 each season. Another recent study of 955 migrant households from drought-prone areas of Tamil Nadu (Sundari 2005) showed that migration has raised the economic status of about 57 percent of migrant families among the lower income groups, in terms of household income. There was an improvement in asset holdings of 53 percent of migrant families, belonging to the low-income strata.

It has been argued that migration worsens poverty because migrant households are often in debt. But the relationship between debt and migration is not straightforward. While some analysts have concluded that migration increases debt levels because of higher expenditures during transit and at the destination, others have argued that migration improves the creditworthiness of households and they are able to borrow more because of that (Ghate 2005).

In conclusion, migration can bring much-needed extra cash but at a cost, and some of these costs could be minimised through appropriate policy interventions.

8. Migration and Caste

An important but under-researched dimension of migration in India is the relationship between migration and the caste system. Some studies have noted that certain castes and tribes have a higher propensity to migrate. Deshingkar and Start (2003), for example, found that the scheduled tribes had higher migration rates in Andhra Pradesh and Madhya Pradesh. Similar observations have been made by Dayal and Karan (2003) regarding Jharkhand: Whereas 15 percent of scheduled castes and tribes migrated, only 8 percent of upper castes and 3 percent of “other backward castes” migrated. A study by Jagori, an NGO on migration in Rajasthan, found that 95 percent of the migrants congregating at recruiting points (locally known as Chakoris) are *dalits* coming from Bhilwara, Ajmer, Tonk, Kota areas of Rajasthan (Jagori 2001). The latest Human Development Report for the state of Punjab notes that many migrants coming in to the state from Bihar and Uttar Pradesh are dalits and tribals.

This is related to the generally poorer asset base and lower education levels of these social groups. A study of northern Bihar shows that migration rates among scheduled castes (SC) and backward castes have risen more strongly than for other castes (Karan 2003). Migrant job markets are often segmented along caste lines at the destination, and the demand for certain castes to perform certain kinds of work will continue. It has also been suggested that lower castes face less discrimination in modern markets than traditional village societies, but this is a hotly debated point and some would argue that discrimination is no less intense. Where discrimination is less, such as the market for security guards, gardeners, drivers, and street vendors, migration can provide lower castes and tribes prospects for a more dignified existence.

9. The Difficulties Faced by Migrants

Whether or not migration is poverty reducing, it is a tough undertaking. Migrants travel and live in very difficult conditions. Mosse et al. (2002), for instance, note in their study of Madhya Pradesh, India, that migrants work long hours in harsh conditions, injuries are common, and there is inadequate medical assistance or compensation. Water, fuel, sanitation and security are major problems. They quote a study by DISHA, a nongovernmental organization in Gujarat, which found that over half the migrants slept in

the open and the rest had very perfunctory accommodation. They face harassment, abuse, theft, forcible eviction, or the demolition of their dwellings by urban authorities or police. The sexual exploitation of women by masons, contractors, the police, and others is routine but unreported by women for fear of the consequences (loss of employment, violence). Children are even more vulnerable to such abuse.

10. The Need for Migrant Support Programs

While a number of laws exist to protect the rights of migrant workers, especially in India¹⁴ these are widely disregarded by employers and intermediaries because of a lack of political will to implement them and ignorance among illiterate migrants of their rights as workers. There is a need for widespread awareness creation among the general public, policymakers, and migrants themselves.

Although India has one of the most comprehensive systems of pro-poor programs in the developing world, the millions of poor migrant laborers cannot access these for the entire time that they are away due to proof-of-residence requirements. Thus, the Public Distribution System-supplied food grains are inaccessible to them, as are government schools, hospitals, and other pro-poor schemes. There is an urgent need for these to be made more flexible and different states need to reach agreement on how this should be done.

The transaction costs involved in sending remittances are a particular concern for migrants. Rarely do official channels (private or public) exist in the region of origin; money is usually carried back by migrants themselves or sent through trusted friends and relatives. Improved channels for internal remittances, e.g., via post offices, could ideally reduce the cost, delays, and risks of sending money within a country.

11. Policy Recommendations and Knowledge Gaps

11.1 The Future

India is currently going through a transition from an economy that consisted of very large numbers of viable small and marginal farms to one where the structure of agriculture and industry is changing rapidly in response to globalizing forces, environmental limits, and stresses and population pressure. While new industries and informal sector jobs have emerged in urban areas, creating a considerable pull for poor laborers, a stronger push

is also being experienced in many rural areas with land fragmentation, drought, groundwater scarcity, and falling agricultural commodity prices.

While it is clear that increasing agricultural productivity and growth must remain key goals for poverty reduction, it must also be recognized that a sole focus on enhancing productivity growth in agriculture as a source of poverty reduction in rural areas is likely to be insufficient in the context of a global economy. Not only are small farmers exposed to many new risks due to price volatility, but also many marginal areas are unlikely to provide significant opportunities for expansion of agricultural yields. While some marginal areas such as the eastern Indian states may still have the agro-climatic potential to yield high returns in agriculture because of good rainfall, untapped groundwater, and perennial rivers, many other marginal areas do not have this potential. This points to the need to recognize that: a) other sectors such as urban areas and manufacturing may be equally if not more important in some contexts; b) efforts to keep people within difficult and marginal areas may yield poor results. Indeed, there is some evidence that landless laborers are better off than marginal farmers in locations where agriculture has become highly risky and urban labor markets have expanded.

Huge amounts of money are currently invested in improving productivity in marginal areas – for example, in excess of a billion dollars is invested in watershed development projects in India. On the one hand, given that the fiscal, environmental, institutional, infrastructural, and governance constraints in marginal areas have shown little improvement over the years and are unlikely to change dramatically in the next ten to twenty years, the goal of keeping people in rural areas seems elusive. On the other hand, well-supported rural-urban links can reduce regional inequalities through transferring some of the benefits of intensive agriculture, construction, and urbanization to poorer regions.

It is very likely that short-term/circular/seasonal migration will continue to increase in India with increasing populations of young adults, a concentration of economic growth in some locations, and persistent regional disparities due to stagnation in rural areas. Although the demand for skilled labor will probably increase in some sectors, the demand for unskilled labor will continue to increase for informal employment in road and building construction, cable networks, and coastal activities where mechanization continues to be limited despite growth.

While earlier projections expected temporary migration to go down, current trends indicate that a growing number of people are choosing to keep one foot in the village because of social ties, lower costs, other safety net aspects, and a long-term intention to pursue a better life in the village.

Women and children who migrate independently or accompany men need special attention as they are more vulnerable, often carry a heavier work load, and are systematically underpaid.

A combination of political will and bureaucratic commitment is needed to enforce existing regulations that have been designed to protect migrant workers.

On the research side, there is an urgent need for more disaggregated data on occupations that capture part-time and seasonal activities. Census and National Sample Surveys need to be supplemented with additional modules. Meanwhile, valuable information on seasonal migration can be gleaned from the many existing and ongoing village-level research projects on rural livelihoods implemented by regional research centers and universities.

Unlike other countries in East and Southeast Asia where demographic features and development policies may reduce the flow of temporary migrants in the near future, circular migration in India is likely to grow and the government urgently needs to take steps to make it a more remunerative and less painful process for the poor.

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Annex 1 **Migration Streams in Madhya Pradesh and Andhra Pradesh villages**

List of abbreviations

AP	Andhra Pradesh
BC	Backward Caste
IDS	Institute of Development Studies
NCR	National Capital Region
NGO	Nongovernment Organization
NTFP	Non-Timber Forest Products
OBC	Other Backward Caste

AP village name and characteristics	Caste, skill and asset base of migrants	Type of work and when	Who migrates	Source, amount and purpose of credit/advance	Coping or accumulative and wage rate	Impact on migrant household and source location
VP: Narsapur hamlet. Far from urban centers but good transport links, un-irrigated agriculture, sericulture was important until recently.	Vaddi (Backward Caste) skilled earth workers, small and marginal farmers, good contacts with government officials who award contracts.	Non-farm: digging trenches for cable networks. Migrate during non-rainy season.	Able-bodied men and sometimes their wives. New/young families: all members migrate. In older/larger families, couples take turns so that others can care for livestock, farm, and children.	Contractor pays for food, transport, and shelter until they get paid for the work at the end of the contract.	Accumulative and always has been. Averages Rs. 110/day.	Increase in wealth, much construction work and drilling of tube wells in village, buying more land from neighboring villages. They are educating their children in good schools.

VP: SC hamlet.	Mala (SC) marginal farmers.	Work alongside teams of Vaddi migrants but on the "lighter" jobs in plantations and for the Forest Department. Migrate only during drought and lean months.	Able-bodied men. Women migrate only if household economic situation is very bad.	Contractor pays for food until they get paid for the work at the end of the contract.	Coping when no work at home. Rs 65/day. Work availability low.	Manage to survive during the lean season and drought.
OP: dry, partly tank-irrigated. Near district capital.	Mixed.	Non-farm and farm laboring in nearby urban and 12 nearby villages with irrigated farming. Migrate for 15–30 days at a time.	Single person from household.	None.	Accumulative Average earning is Rs. 50/day and this kind of work is available all year round.	Better paid than local, casual laboring.
MD: remote, unirrigated Very large number of marginal and submarginal holdings. Much of the land is unproductive.	Mudiraj (BC) and Lambada (ST). Small and marginal farmers. Pair of bulls and cart essential.	Harvest sugarcane for the sugar factory in Bodhan (Nizambad, a neighboring district), work usually from October–March.	Two–three adults from a household migrate (usually two males and one female), together with children.	Employer in destination (he comes or they go in advance of the migration season). No middleman or contractor.	Accumulative now, started as coping migration in the 1970s. Migrants can save up to Rs. 3000/ month after meeting expenses and paying off debt. Most families return with a saving of at least Rs. 10,000 in a season	More wealth but children's education suffers.

MD: remote, unirrigated. Very large number of marginal and submarginal holdings. Much of the land is unproductive.	Mala (SC), poor Mudiraj (BC) marginal farmers	Construction labor in Hyderabad. This kind of work is more opportunistic and risky so may be left with no work and may have to sell utensils, etc. to pay for ticket back home or to meet expenses at destination.	Young men, women, and breastfeeding children.	Local money/lender.	Coping, Rs. 70/day when they get work but this is not every day. Expenses in the city are high. For those families that have been doing this for several decades and have acquired skills/contacts, the work may be more regular and therefore accumulative.	Survival in the off-season. But can result in savings and investment in children's education for the longer-term migrants.
KO, KA: canal irrigated, prosperous. In KO, very large proportion of landless households; KA has more small holdings but land is highly productive.	Mala (SC), Gowda (BC). Some of them may be tenant farmers.	Agricultural labor in other coastal districts. Only for 15 days—month in a year when there is no work locally, but it is available in neighbouring district. The agricultural seasons are slightly different in neighbouring districts.	Able-bodied men and women, no children.	None.	Coping, Rs. 50/day and 0.5 kg of rice.	Without this work they would have to borrow money.
MP Village name and characteristics	Caste, skill and asset base of migrants	Type of work and when	Who migrates	Source, amount and purpose of credit/advance	Coping or accumulative and wage rate	Impact on migrant household and source location

P.T: hilly with limited agricultural development. 15km off main road, restricted access and transport. But relatively close to Jabalpur city and associated high productivity Haveli areas.	Majority of (ST) Baiga and Ghonds migrate, about 50% of (SC) Pankas. Pankas are most advanced agriculturists, particularly in newly emerging irrigated paddy. Baigas have the worst land.	Wheat harvesting in Haveli region west of Jabalpur along Namada plains. Main migration is in March, though some go for paddy harvesting in other regions in November and some are able to secure pulse harvesting in April, although this overlaps with Mahua collection at home.	Families migrate in groups via contractor (<i>mestri</i>), and often to landlords with whom they have a long term relationship. Sometimes groups of related single women may migrate.	Contractor pays food, and sometimes transport.	Contract work means that returns can be higher if whole family works together. Accumulative compared to other works. These routes have been plied for 30 years and more. Wages in grain are approx equivalent Rs. 30/ day/person.	Families can save up to Rs. 50/day/ family. If they get two weeks' work, they can save up to Rs. 1000. Secures year round food security. Involves children, so has impact on schooling, though some schools shut in March anyway.
GG: irrigated agriculture, but polarised land holdings. Commutable to Mandla district town.	All castes, including non-poor cultivating households such as Lodhis (OBC).	1–2 month trips to urban centers such as Bhopal and Nagpur.	Mainly young males, looking for good pay and experience of city life.	None	High savings are possible but there is the risk of unsuccessful work search and of being cheated. Some have developed good skills and returns from masonry. Returns from urban work are Rs. 40–60/day but costs are high (at least Rs. 20/day plus return transport).	As these are often opportunities for single men, the main impact on the home household is positive, if remittances are sent or savings accumulated for return.

GG: irrigated agriculture, but polarised land holdings. Commutable to Mandla district town.	Mainly poorer castes such as Pradhans (SC).	23 weeks to nearby Bhamni Banji for paddy harvesting in November.	Whole families for contract work. Often in groups, connected by kin or friendship.	Contractor pays food, and sometimes transport.	Contract work means that returns can be higher if whole family works together. Accumulative compared to other works. Wages, in grain, are approx equivalent to Rs. 30/day/ person.	Generates surplus income over and above the regular <i>Kharif</i> income from in-village agricultural labor.
MB: land very poor despite lake irrigation. Close to small block town, Close to bus route, but far from major town.	Single caste village of (OBC) Dhimar fishermen. Two thirds migrate, mostly those with marginal landholdings.	Paddy harvesting in Bhind district. Some wheat/ mustard harvesting in Gwalior district. Trips are short: 1–2 weeks.	Groups of women are the main agricultural migrant workers. Most families have some marginal land so men may remain to manage this land.	None	Ag. migration is secure and fairly predictable and therefore accumulative. These links are often well-established. Wages, in grain, are approx equivalent to Rs. 30/day/person.	Women can face high risks, though these are mitigated by the established relations they have with landlords, and by traveling in groups.

MB: land very poor despite lake irrigation. Close to small block town, Close to bus route, but far from major town.	Single caste village of (OBC) Dhimar fishermen.	Non-farm, work in Tikamgarh, Gwalior, Jhansi and Delhi.	Mainly young men, though older men and even women may migrate if times are bad.	None	Work is more opportunistic, e.g., when a contractor comes or friends tell of an opportunity. It has higher returns compared to agricultural work but is more risky. This could be called accumulative, when it comes off. Those who have established secure links are best off. Returns from urban work are Rs40-60/day but costs are high (at least Rs20/day plus return transport).	Migration by young men brings remittances into the household. If female members migrate, children can suffer and if older members migrate, health can suffer. Urban out-migration is disruptive for the education of children. There are no formal facilities and children end up helping their parents or playing by the roadside.
SM: good land, but much landlessness. Daily commutable to district town.	The semi-skilled artisan Sahu caste (OBC) have turned to ice cream making from oil pressing.	Migrate en masse to Maharashtra during the tourist season.	Whole Sahu families migrate, though if they own land some members remain. Young children may remain with grand-parents.	None	Previously out-migration was part of a strategy to cope with shocks. However, now it is accumulative as expanding niche market has been located. At least Rs. 60/day, sometimes more if business good.	Migration has lead to investment in land.

SM: good land, but much landlessness. Daily commutable to district town.	The landless Ahirwar (SC).	Casual non-farm wage work in nearby urban locations.	Usually men only, while family remain at home.	None	Work is sporadic and often the work search is not successful. Therefore coping. Wage rate is Rs. 60/day.	Many workers have suffered accidents, which have left them permanently disabled and unable to work. Little or no compensation is received.
LJ: good land but no irrigation. Surrounding villages with irrigation are more prosperous. Close to small block town and bus route but far from Ujjain city. Traditional links into Rajasthan.	Traditional cultivating marginal and landed (OBC) Thakurs (70%) are main migrants. The former have problematic agriculture due to divided landholdings, drought and lack of irrigation.	To local villages for agricultural wage work.	Whole family migrates as they have no land or livestock to keep them in the village.	None	This is coping migration because work availability is not good, particularly following droughts. Rs. 30/day/ person, though more if whole family contributes labor.	Disruptive to the education of children. Low labor demand, particularly during drought, places migrants in a weak bargaining position where they may be open to exploitation or cheating.
PR: very high productivity agriculture but highly polarized holdings and much landlessness. Daily commutable to Ujjain city.	Mainly landless (SC) Balai and Chamars (90%).	Chamars work in brick kilns and in construction in Ujjain for 1-2 months.	Men and whole families, depending on childcare facilities available in the source village.	Where good relations have been built up, advances and preferential rates may be offered. Where worker are new, terms are often at coping levels.	Depends on the nature of contract. Rs. 40 for construction but Rs. 60 for brick kiln work.	Where strong relations are built up with employer, reasonable domestic facilities are provided, though work is hard and sometimes dangerous.

A Socio-Cultural Perspective on Migration and Economic Development: Middle Eastern Migration from Kerala, India

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1. Introduction

More and more countries around the world are turning to short-term international migration to solve their labor shortage problems. By hiring a rolling stock of temporary and cheap international labor, countries save on social and educational expenditure and also solve the problem of keeping their culture intact. Labor-importing countries impose a variety of restrictions on international workers concerning the length of stay and the admittance of dependants. Thus, unskilled and semi-skilled workers in particular are only given contracts of a few years at a time and in most cases (through income and visa restrictions) family members are not permitted to join the migrant. Consequently, short-term migrants are oriented toward their home countries, visiting frequently and living frugally so that they can remit a large portion of their income to their families.

Since short-term international migration is generally undertaken for economic reasons and the most obvious effect of such migration on sending countries is the outflow of a significant proportion of the workforce and the inflow of large sums of money, most studies of such migration have tended to focus on its economic consequences. These studies, largely conducted by economists, have examined the use of remittances by migrants and their families. The hope was that these remittances would be invested in productive activity and thus would stimulate economic development. However, this hope has often not been realized since migrants seem more likely to spend their excess income on lavish hospitality, conspicuous consumption, and the building of large, showy houses.¹

This article argues that socio-cultural factors generally neglected by economists, such as the perception of income derived through foreign employment and differences in the ethnic structures of different migrant

¹ See for instance Amjad (1989), Appleyard (1989), Arnold and Shah (1989), Gunatilleke (1986), Nair (1986), Papademetriou and Martin (1991), Stinner (1982), and Watson (1975).

communities, profoundly shape the use of such income and should be taken into account by policymakers interested in enhancing the development potential of migrant remittances. As a case study, I examine the use of remittances in three villages in Kerala, India which had a large-scale migration to countries around the Persian Gulf. The patterns of consumption, investment and exchange were distinctly different in the three areas – Veni, Cherur, and Kembu – since the socio-cultural structures of the communities were very different.²² Although community differences in migration patterns were widely recognized by the migrants themselves (see for instance Osella and Osella 2000, 7-8), I will show that these differences were missed even by the local economists who studied the phenomenon, resulting in misleading conclusions and unviable policy directives.

2. Background to the Gulf Migration from Kerala

Beginning with the dramatic increase in oil prices in the early 1970s, there has been a large out-migration from Asian countries (particularly India and Pakistan) to the Middle East. Persian Gulf countries undertook a massive infrastructural reconstruction, and in a relatively short period of time were able to transform themselves from semi-nomadic societies to some of the most technologically advanced nations of the world. Foreign labor was central to this transformation. By 1980, 69.8 percent of the workforce in the region were foreigners. In some countries, like the United Arab Emirates (U.A.E.), the percentage was as high as 82.5 (Owen 1985:18).

While most of the imported labor consisted of unskilled and semiskilled workers, given a very small and (at the time) relatively uneducated and unqualified population in the region, there was also a need for a variety of other types of migrant skills. There were opportunities for some entrepreneurial activities and clerical workers of different types. Hospital staff from orderlies to laboratory technicians, nurses, doctors, and administrators were in great demand. Engineers were needed to design and execute the many projects that were being undertaken.

Kerala is a small state in South India which has been a major labor exporter to the Middle East. Although the state's population of around thirty million in 1990 comprised only 3.43 percent of the population of the country (Prakash 1994:43), 35 to 50 percent of the migrants from India were from this state (Gulati and Modi 1983:58; Nair 1989:343; Prakash 1998). A statewide survey conducted in 1992-1993 found that 23 percent

²² The names of the three villages are pseudonyms, to protect the identity of the communities and the individuals studied.

of households reported having at least one member who had worked outside the country at one time or another. Another survey conducted in 1998 estimated that there were thirty-three international migrants for every one hundred households (Zachariah et al. 1999, 4). Ninety-six percent of these international migrants were probably in the Middle East (Banerjee et al. 1997, 3). My research showed that the proportion of households with migrants was much higher in the high-migrant areas, known locally as “Gulf pockets.” In these areas, around 60 to 90 percent of households had participated in the migration at one time or another.

Data from survey studies of the Gulf migrants in Kerala (Government of Kerala 1987; Gulati and Mody 1983; Banerjee et al. 1997; Zachariah et al. 1999, 2000) indicate that they were overwhelmingly male (92.5 percent), young (half were twenty-five years or younger), married (81 percent), poorly educated (70 percent had less than ten years of education), and unskilled (73 percent). The average length of stay in the Middle East was around seven years (Zachariah et al. 1999, 12).

Estimates of remittances to Kerala from the Middle East are difficult to obtain, with the figures varying from five billion rupees per year in the 1975–1986 period (Nair 1987, 20), to between 7.3 billion to 9.2 billion rupees for 1980–1981 (ESCAP 1987, 81), to 10.14 billion rupees for 1987–1988 (Nair, 1996). These remittances contributed a whopping 22 to 28 percent of the state domestic product in 1980–1981 (ESCAP 1987, 81). It is estimated that remittances contributed up to 50 percent of the gross domestic product of the high migrant districts (ESCAP 1987, 74).

B.A. Prakash (1998) argues that since the 1970s, “the factor which had the greatest impact on [the] regional economy, especially on [the] labor market, consumption, savings, investment, poverty, income distribution, and economic growth, has been the Gulf migration and migrant remittances.” Studies of the economic impact of the migration point out that the migration has had a positive economic effect on poorer households and has reduced income inequality in the state since most of the migrants were unskilled workers from lower income backgrounds (Nair 1989, 356; Zachariah et al. 2000, 29). The authors of the Kerala Migration Study conducted in the late 1990s similarly concluded that despite some negative effects (such as the stagnation of the agricultural and industrial sectors, and the skyrocketing increase in wage rates and land prices) on balance, the effect of migration had been positive and that the Gulf migration should therefore be viewed as “an unconventional path to development” for Kerala (Zachariah et al. 2000, 46).

Due to the scale and significance of the migration, the high-migrant areas in Kerala (and to a lesser extent, the state as a whole) experienced a process of rapid economic and social transformation and thus provide excellent case studies of migration-induced development. Three such case studies are discussed in this chapter. After a brief overview of the sociological perspective on remittances and economic behavior, I discuss some cross-cultural similarities in the use of remittances obtained through international migration in the next section. I argue that it is due to the social meaning attributed to such income that we see some broad patterns in the economic behavior of international migrants. In many cultures, income that is earned as a consequence of international migration is perceived as being fundamentally different from income earned through local work. Within this larger pattern there are significant local variations in the ways in which the remittances are used for consumption and investment, specifically in the number and range of people who benefit from the remittances, and the type of income-generating activities that migrant families from different communities engage in. These variations are illustrated by the three case studies from Kerala. The final section of the chapter discusses the relationship between socio-cultural and economic aspects of migration and its implications for developmental policy.

3. The Social Meaning of International Remittances

While economists assume that economic behavior is undertaken for utilitarian reasons, sociologists argue that it is important to understand that economic activities are also expressive and symbolic in addition to being purely utilitarian. As Paul DiMaggio (1991, 131) points out, economic goods are also “cultural goods,” “consumed for what they say about their consumers to themselves and to others as inputs into the production of social relations and identities.” Other scholars have argued that money and wealth have cultural and social meanings and can therefore be viewed differently in different contexts. To illustrate the inadequacy of a purely utilitarian conception of money, Viviana Zelizer points out that “not all dollars are equal.” “Money is... routinely differentiated, not just by varying quantities but also by its special diverse qualities. We assign different meanings and designate separate uses for particular kinds of monies.” She gives as examples the way we differentiate a housewife’s pin money or allowance from a salary, a lottery winning from an ordinary paycheck, an accident compensation from book royalties (Zelizer 1989, 343). Thus Zelizer makes the case that the meaning that is attributed to income and the use to which it is put depends on the context within which the money is obtained.

Drawing on these perspectives, I argue that the “unproductive” use of international remittances on conspicuous consumption that we find among migrants from a range of countries and cultures is due to the social meanings attributed to such income. The literature on international migration as well as my own observations of the behavior of Gulf migrants in Kerala and the expectations of their community members seem to indicate that the money earned as a result of working abroad (particularly in the case of lower-class rural migrants going to a more developed country) was seen as being of a different kind from income that was earned locally. Thus, I noticed that the economic behavior and consumption patterns of non-migrants (even those earning an equivalent amount of money), especially in villages where there was little or no migration, was invariably different from those of the migrants that I studied.

The reasons for this phenomenon are complex and, while I suggest some of them here, I make no claim to present an exhaustive or even a comprehensive explanation. At the outset, I must make clear that I am referring to situations in which the migrant is part of an organic community. Such communities are generally characterized by some degree of mutual bonds as well as the obligation of reciprocity. In fact, as the material will demonstrate, the extent to which conspicuous consumption is manifested is often a function of the cohesiveness of the community in question. Different economic patterns are manifested depending on the nature of the social bonds between community members.

Probably the most important attribute of international remittances is that migrant incomes are generally much higher than the amount that would have been earned in a comparable local job. Due to the higher level of technology in the foreign country, those at home perceive the work undertaken by migrants as being less physically arduous. In addition, they also feel that there are the additional compensations gained from the glamour and experiences of life in a foreign (and developed) country. For all of these reasons, foreign income is seen to be serendipitous, “easy money,” which is not fully earned. As such, community members expect that the money will also be disbursed more freely. In other words, it is seen to have some qualities of windfall income. Zelizer (1989, 350) points out that such income is treated very differently from identical sums obtained through other means. An example will make this clear. A young, fashionably dressed Gulf migrant at home on holiday boasted to me:

When I am here, I spend an awful lot of money. Just yesterday, I took out Rs. 1,200 from the bank and see [pulling out the money from his pocket], now I have only Rs. 400 left. I don't

know where the rest went. Someone comes and asks me for money and I give it to him. And when I go to buy something, fish, for instance, even if I need only ten rupees worth, I spend fifty or seventy-five rupees, because otherwise, what will they think – a Gulfan being so miserly. Yes, people generally increase prices when they see us. And they know we don't like to haggle.

Typically, earning money easily and spending it freely are characteristic of the lifestyle of the upper classes who, because of their affluence, are obliged to act as patrons for the poorer and less-fortunate villagers. This in turn secures them status and a following. Status is a value that takes on the greatest significance in a cohesive community. It has to be conferred and recognized by a group, and this is most successfully accomplished in situations where there is a great deal of face-to-face interaction. Largesse may also be distributed to counteract the possibly harmful effects of envious neighbors and relatives. All of these social pressures work to prevent migrants from spending their remittances solely on themselves and their immediate families; individual acquisitive behavior is constrained by community demands that stress the importance of sharing some of the wealth with fellow members.

Thus, I suggest that economically successful returned migrants from small, rural communities spend their money conspicuously to indicate that it has been earned easily (which is prestigious), and are also lavish in their generosity to fellow villagers as well as to village causes so that they will be able to secure community goodwill and a higher social standing. Both conspicuous consumption and conspicuous generosity involve pronounced changes in the lifestyles of the migrants. The building of a large and showy house is also of high priority since it is the most visible indicator of the change in status of the family and will stand as a permanent emblem of their success. Migrants proudly display consumer durables brought from the foreign country for the same reason. Since material affluence has come to have virtually universal appeal, it is not surprising that these patterns are manifested by migrants around the world.

Migrants, by introducing these new patterns of material and social living, are also cultural entrepreneurs of the society. Since the migrant has been exposed to a more developed society, he or she is regarded as being worldly-wise and thus legitimacy is accorded to the use of the money earned in this manner to effect changes in the migrant household and in the society at large. These changes spread in the society through the "contagion effect." Even migrants who are not able to earn much as a consequence of the

migration tend to imitate the behavior of the wealthier returnees so that they can also secure a higher status. Non-migrants, for their part, try their best to keep up.

These are some of the elements of the complicated interplay of factors that take place in rural communities which experience a large-scale temporary migration of predominantly lower-income migrants. In addition, arrangements to send and receive the remittances have to be made by the migrant households, and control over local economic transactions and decisions (which the male migrant would generally have exercised had he been locally resident) has to be transferred to another person. There are thus several common processes that migrant households and migrant communities undergo.

Differences in these common processes result from modifications which are structured to fit the social and “cultural matrix” in which the community is situated (Parry and Bloch 1989). Veni, Cherur, and Kembu were part of the *Mappila* (Keralite Muslim), *Ezhava* (lower-caste Keralite Hindu), and *Syrian Christian* (upper-caste Keralite Christian) communities respectively. In addition to the fact that the emigrant communities in question practiced three different religions, there were other fundamental differences of social structure and culture. Thus they differed in family and community structure, inheritance systems, gender roles, occupations, economic position, and educational attainments, to name only the most salient of factors. It is due to these multidimensional differences between the communities that I define them as “ethnic” groups (see Kurien 2002). My argument in this article is that the large scale migration to the Middle East of lower-class migrants and their rapid enrichment brought about a reconstruction of the ethnic identities of the three communities. Economic choices are an important way in which personal and group identities are expressed and I will demonstrate how the patterns of consumption, investment, and exchange undertaken by the groups as a consequence of migration manifested as well as shaped their ethnic structures and identities.

4. The Three Economic Patterns

In this section, the three communities, each in a different geographical region and “Gulf pocket” of Kerala, are described and the patterns of migration from them and the manner in which the remittances from the Gulf have been used by each are discussed. As mentioned above, there were some broad similarities in the expenditure patterns of the areas. In all cases, for example, house construction was undertaken and migrants brought back electronic consumer durables and clothing from the Middle

East on each return trip. In the following pages, however, the focus will be on the major differences in the consumption, investment, and exchange behavior of the three villages. Briefly, in the Mappila Muslim village, a great deal of emphasis was given to distributing remittances to the largest circle of people within the community and to supporting religious activities. The Ezhava Hindus spent large sums of money on elaborations of life-cycle rituals during which there was lavish gift-giving and entertaining. Thus, there was a smaller circle of exchange than in the Mappila village. In the Syrian Christian village, the gains of migration were largely confined to the immediate family. Some amount went to religious causes, but for the most part the emphasis was on saving the money earned, to be used later for dowries for daughters and for professional education for sons. The major forms of economic investment in the three communities varied also, from business activities in the Mappila Muslim community, to usurious lending in the Ezhava Hindu village, to fixed deposits and bonds in the Syrian Christian locality.

The primary fieldwork was conducted over a nineteen-month period, between June 1989 and December 1990. I lived in or near each of the three villages for between three and five months during my period of fieldwork. I made two subsequent trips to southern India in 1993 and 1997 and maintained sporadic correspondence with scholars and residents in Kerala to keep up with the consequences of migration in the state. My aim while conducting fieldwork was to have data of three kinds: community-level information, general household-level information, and case studies of representative households of different types such as long-term, short-term, and returned-migrant as well as non-migrant households. As far as possible, I collected these data for the major classes and castes in the three areas. I had a detailed schedule of questions for both community-level and household-level information. I used that as a guide, but the focus and the way I asked the questions varied, depending on the situation and the response of the people. I talked to a range of people – women and men – in the village and panchayat offices, travel agencies, banks, schools and pre-schools, shops, hospitals, and police stations, in addition to the women, men, and adolescents that I met in the different households. During my stay in the three villages, I visited a total of 276 households, some for only a few minutes, others for several long visits, but due to a variety of circumstances, a proper survey study was not possible. Thus, the information collected through my house visits was more in the form of descriptive case material than tabulatable statistics. Instead of tabulations, I noted recurring themes in the accounts and collapsed them into ideal type descriptions of the areas.

What is presented below is therefore not a description of the communities based on averages, but instead is an accentuation of the distinguishing features of the areas.

4.1 Veni: Wage Laborers, Charity, and Muslim Community Solidarity

A predominantly Muslim village in a Muslim-majority district of northern Kerala, Veni was an area that had come under the direct control of the British and suffered a great deal under the colonial regime. The economic impoverishment and political harassment that the Mappilas of this area experienced during this period caused them to turn inward, rejecting “Western” culture and institutions such as secular education, modern medicine, and the bureaucracy which were identified with the British. This also led to the development of a tightly knit community with a strong corporate identity, a high degree of group solidarity, and relative social egalitarianism. The village as a whole had low levels of education. Joint family households were prevalent and fertility rates high. The family structure was patrilineal, patrilocal, and strongly patriarchal. Though the seclusion of women and their early marriage were ideals, this was practiced mainly by the wealthy; among the lower classes women had to go out for agricultural work. Before the large-scale migration to the Middle East, the primary economic activity in the village was agriculture and the wholesale trade of agricultural commodities. With the exception of a few large farmers and some business people, most villagers were very poor.

Poverty and political oppression forced many of the young men in the village to migrate to other parts of the country in search of employment. Their low education and social marginality meant that they had to take up unskilled and semi-skilled jobs. The ethnic networks that were built up facilitated the continuing migration of the villagers into such occupations. The villagers from Veni specialized largely in hotel and bakery work. A few managed to work their way up, to become the managers or owners of these concerns. The typical pattern was that the men would leave their families behind in the care of their parents or relatives.

Trade relations between this region and the Middle East were centuries old, and in fact the local Muslim population was a product of the conversions and intermarriages made by Arab traders. Their common heritage and Islamic identity meant that the Mappilas had a special relationship with the Arab traders. News of work opportunities in the Gulf spread through this source, and most of the early migration (which began in the mid

1950s) occurred with the Mappilas taking illegal passage on the merchant launches of the Arabs. One might speculate that the Islamic bond and their migratory tradition were the factors that led the Mappilas of Veni to take the risk of going to an unknown country.

Once they arrived, their lack of education and the illegal nature of their entry into the society meant that most Mappila migrants obtained jobs in the informal sector. The largest proportion of migrants from Veni (around 60 percent) performed unskilled work, about 15 percent were in domestic work and about the same number were in “business” which ranged from petty pavement trade to the management or ownership of big supermarkets and stores.³³ Many worked illegally, without formal contracts. Some did odd jobs or filled in temporarily for other workers. Most had more than one job at a time.

Ethnic networks were even more crucial in the Middle East since they created community enclaves within the country which helped support temporarily unemployed migrants, and made it possible for newcomers to take the risk of migrating even without having prearranged jobs. Most of the migration from Veni took place as a result of relatives or friends using their contacts with Arabs to arrange for jobs and visas for the prospective migrant.

The manner in which the migrants organized the process of sending back money bore the distinctive stamp of the social matrix within which they were operating. Villagers from Veni tended to join a “chitty” group (usually comprised of other Mappilas) soon after getting a job in the Gulf. Every month the members would contribute a certain amount into the chit fund, and each month one person in the group got a large sum of money (worth twelve- to eighteen-months’ contribution). The chitty was thus a means of pooling money so that the person who was going back home for a visit could mobilize the large sum of money he needed. This depended almost entirely on the trust between the members of the chitty group since there was no security, and the whole system would have collapsed had even a few members defaulted.

A large part of the money earned by the villagers was sent back as “tube money.” This was money that was converted at the higher black market

³³ These figures are approximations and are based on information given to me by travel agents and local political figures. According to the 1980 Survey of Unemployment and Housing, of the 2,340 migrants from Veni at the time, 1,367 of whom had gone to Gulf countries, 11 percent were skilled workers, 86 percent were unskilled, 2.6 percent were technical workers, and a mere 0.3 percent were professionals (Government of Kerala 1982).

rate of exchange and was thus sent through illegal channels. Smuggling of gold and electronic items from the Middle East to Veni was also common. In fact, the village was a known center for such illegal activities. Both “tubing” money and smuggling depended fundamentally on having a good, safe, and widespread network and having the know-how and the contacts to conduct the transactions. If money was not sent through the “tube,” migrants from Veni preferred to send it directly through friends returning to the area so that they did not have to pay the remittance charges (i.e., of the bank draft). Each migrant came back home only once in two or three years, but because of the ethnic network, he could send and receive most of his letters and gifts through friends who were visiting home (thus saving the expense of postage).

There are several reasons for the remittance patterns adopted by the migrants from Veni. First, the relatively low income earned by the villagers meant that they could support their families only by using the black market rates of exchange or by smuggling in a little gold (or some other item) each time. What is more, the non-formal and non-legal types of occupations that they took up in the Middle East made it impossible for them to use the official channels for remittances since these were recorded and scrutinized by tax officials. In addition to these economic reasons, social factors such as the cohesiveness, solidarity, and trust between the members of the community were probably as important in the choice of these channels of transmission. The minority consciousness of the group could also have played a role by increasing their proclivity for non-formal and unofficial routes.

Due to the solidarity and tight-knit character of the community, together with the fact that the villagers of Veni saw their identity as Mappila Muslims as involving a major emphasis on the giving of charity, a lot of the Gulf money was spent on gifts to relatives, friends, and community members. In Veni, a major source of status was being in the position of a donor and thus many migrants helped the poor in a variety of ways. As a wealthy migrant put it:

I, my father and his father before him have until recently had to depend on the big people in the area – for a job, for medical emergencies, for weddings and funerals. With Allah’s blessings, I have been fortunate enough to become a person that other people depend on.

I was told (by both the poor and the rich) that a poor person had only to write to a Gulf migrant from his area if he had any major or unexpected expenses to meet. It was a matter of honor for the migrant to respond to

such a request. In addition, there were local committees for each area, usually organized by the local mosque to take care of the poor. The local community also felt a sense of responsibility for widows and orphans without any relatives to help them. I gathered that there were four main ways in which help was rendered. Money was given to help poor families build a “pucca” (concrete) house, to provide a dowry to get a girl married, and to support the local orphanage.⁴⁴ Finally, migrant households provided food to poor families and clothes when the migrant returned from the Gulf. A good deal of money also went to the support of the local mosques and to the schools and colleges imparting religious training.

The value placed on the purity and seclusion of women manifested itself in several ways in the expenditure patterns of the area. Thus, dowry rates had registered a tremendous increase and marriages were arranged when the couple, particularly the girl, was younger. A good deal of money was also spent on transportation, particularly on taxis, since it was considered a more decorous and prestigious way for women to travel (as compared to walking or taking the bus).

In Veni, unlike in the other two communities, very little of the Gulf money was spent on education. As a consequence of the migration, there was an increasing emphasis on the necessity for schooling, particularly at the primary and secondary levels, but compared to the other two areas the villagers spent little on education. This was undoubtedly related to the general under-emphasis on education in the area. The Gulf migration, by enriching relatively uneducated people, acted to reinforce this tendency.

A strong business orientation was another distinguishing characteristic of this community and thus one of the main targets of investment in Veni was business. The central market area had developed rapidly as a consequence of the migration, and at the time of my fieldwork, Veni had the look of a small town rather than a village. Besides shops of all kinds (the main market area was around half a mile long and had shops on both sides of the road), it also had twelve travel agencies, thirty-six gold jewellery shops, four video libraries, and dozens of small department stores. There were also over a hundred commercial vehicles of different kinds – jeeps, taxis, vans, and three-wheelers. The reasons for this development are many. The main factor was probably the prior involvement of the community in trade and the fact that the village had been a trading center in the past. Investing money in business was also the easiest means of laundering black money,

⁴⁴ There were six orphanage subcommittees in different countries in the Gulf to collect money for the institution.

which was an important consideration in an area that specialized in such activities. Smuggling in a few gold biscuits on each return visit was a common way for migrants to make some extra money. This, together with the fact that a large proportion of the dowry was in the form of gold, could also account for the big increase in the number of jewelry shops. The high level of solidarity and trust of the community would also lead them to prefer to do their business with fellow villagers rather than outsiders (an untrustworthy goldsmith could keep some of the gold for himself). Since women were not allowed to go out, most of the daily shopping in the Gulf households was done by the children of the house. It was therefore necessary to have the basic provision shops nearby, which probably accounted for the tremendous number and spread of shops selling vegetables, rice, sugar, lentils, oils, and spices. The increase in the number of taxis was due to the value placed on women's seclusion and the growing number of "feasts" and family get-togethers that were being organized.

An important social consequence of the remittances was their effect on the power structure of the household and community. Given the patriarchal extended family household in Veni and the position of women, remittances were almost always sent to a male relative or friend. Thus, younger women were even more excluded from economic control than they would have been if their husbands had been living with them. The fact that relatives and even friends were entrusted with the task of receiving the money and making the economic decisions for the household can also be seen as an indication of the mutual trust and dependency of community members.

4.2 Cherur: Technicians, Conspicuous Consumption and Social Mobility within the Hindu Caste Hierarchy

This was a Hindu village in south Kerala. It was the Ezhavas, a lower caste, who were the main migrant group in this region. In the pre-migration period, the Ezhavas were the tenants and laborers of the higher castes. The higher castes had an extended family system that hinged on the impartibility of the ancestral lands and that therefore restricted the mobility of individual members, but the Ezhavas had a more flexible family structure. Formerly matrilineal and matrilocal, many of these features continued into the present despite a shift to a bilateral system. It was probably the combination of a flexible family structure and tenuous links to the land, together with the social awakening experienced by the caste (as a result of reform movements), which created a desire for status improvement, that was responsible for the Ezhavas taking the lead in overseas migration from this region.

The first migration from the area began between 1930 and 1945.⁵⁵ The migrants went to Malaysia and Singapore; like the Muslims, all the migrants were male and almost all of them went alone, leaving their families behind. Due to the matrilineal inheritance, wives generally stayed in their own villages and were looked after by their parents and brothers. The migrants took up technicians' jobs in Singapore and Malaysia – most of the migrants from Cherur were drivers of heavy vehicles or car mechanics. Because of the time and cost involved in the long journey by ship, the men would come back very infrequently – usually only once in five to six years.

The Gulf migration from Cherur started in the 1970s, after job opportunities in Singapore and Malaysia had been exhausted. For most of the reasons already mentioned, together with the prior migratory experience, it was mainly the Ezhavas who went to the Middle East. Again, the Cherur villagers went mainly as technicians – most of the migrants from Cherur worked as mechanics, electricians, plumbers, and masons. Since the villagers from Cherur obtained more formalized contractual occupations in the Gulf, they did not have the additional sources of income that many of the migrants from Veni had.

Although the Ezhavas in Cherur had a sense of being part of a corporate group, this “ethnic” awareness did not translate into a fulcrum of solidarity. It was more of a negative identity; they had a low degree of group solidarity and a great deal of intra-group competition and conflict. Here again, ethnic networks played a role, but due to their relative lack of cohesiveness, they took a different form than in the case of the Mappilas. Most of the migrants from this area went to the Middle East through professional job agents (to whom they had to pay a hefty fee). Since there were thousands of such agents of varying degrees of reliability, the ethnic networks helped to disseminate information about which agents were most trustworthy. Some members of the community also used their position in the Middle East to act as agents for their community members. This did not reduce the amount charged, however. In general, if the migrant was not an immediate relative, the community member had to pay as much as he would have paid the most expensive agent.

There were a few cases of “tube money,” but this was not common. In general, the migrant would keep some money back for personal expenses and the next trip home, and would send back the rest of the money at regular intervals in the form of a postal draft. In the early period of migration,

⁵⁵ This period, during the Great Depression and the Second World War, was one of great hardship in Kerala.

some migrants had started chitties, but due to defaulting by members this had collapsed.

The major items of expenditure in this area were the life-cycle rituals and festivals that constitute an important part of the social and religious life of a Hindu community. Conventionally, when a lower caste became affluent or powerful, a process of caste mobility was initiated whereby the style of life, customs, and rituals of a higher caste were adopted. Generally such changes were followed by a claim to a higher position in the caste hierarchy. This process has been called *Sanskritization* (Srinivas 1968). While the Ezhavas of Cherur had adopted new occupations as well as new rituals and ceremonies, I have argued elsewhere that these did not conform to the typical Sanskritization pattern since they were not the ones practiced by the upper castes of the area (Kurien 2002). What is of relevance in the context of their economic behavior, however, is the fact that life-cycle ceremonies had been elaborated, and several new rites of gift-giving (largely of gold) had been introduced. The ceremonies were also conducted on a far more lavish scale than earlier. Marriages were the biggest of such celebrations and migrants spent a good proportion of their Gulf money on the weddings of their sisters, daughters, and close relatives. Life-cycle ceremonies and festivals were also occasions when the members of the community were expected to give fairly substantial gifts. Thus, Gulf money had created a circle of reciprocity and redistribution within the community in Cherur, though this was much smaller than in Veni.

Education was another major item of expenditure. Although the state as a whole had traditionally placed a lot of emphasis on education, as low castes the Ezhavas had not been allowed to attend government schools and colleges in the earlier period. Investing in education was therefore another means that the Ezhavas used to achieve a change in status. Many of the children were sent to the relatively expensive English medium schools, and money was also spent on various coaching classes to make sure the children obtained good results.

There were very few shops in the area and most villagers took the bus to the nearest town (around six miles away) to do their shopping, but there was still very little investment of the money in local business. The few people who tried wound up with big losses. The villagers implied that this was due to the lack of a business tradition and culture, and the competitive nature of the community which did not support local entrepreneurial activity.⁶⁶

⁶⁶ I was told that many people preferred to go to the town for their purchases rather than give their business to a fellow villager. They also felt that the goods sold locally were inferior to and more

The main manner in which Gulf migrants “invested” their money was in usurious lending to other community members. Such loans were given out at much higher rates of interest than charged by banks.⁷ These rates were charged even to relatives, something which would have been shocking in both Veni and Kembu. Here again, a few members had defaulted in the last few years and so some of the Gulf money was now being deposited in banks.

Even though the inheritance system had become formally bilateral in that both sons and daughters were to get an equal share, in practice daughters still continued to be favored, particularly among poorer families with too little property to divide among all the children. As I was told several times: “Because of this father–daughter flow, men are scared to entrust their own fathers with the money for a house, fearing that it would go to their sisters instead.” For this reason, the Gulf migrants often sent their money, particularly the larger amounts intended for the purchase of property or a house, to their fathers-in-law, who would look after the financial dealings on behalf of their daughters. The regular remittances were usually sent to wives, who would use a portion for the household expenditure and would lend out the rest. Thus, the position of women and their families was generally strengthened as a result of the migration.

4.3 Kembu: Professionals, Nuclear Family Enrichment, and Individualism within a Christian Community

This was a largely Christian village in central Kerala. In the pre-migration period the primary economic activity here as in Veni and Cherur was agriculture. During the second half of the colonial period, Kembu became a center for several missionary orders, and the missionaries founded hospitals and schools in and around the village. Pleased to have local allies, they accorded special favors to the native Christians (Syrian Christian communities)⁸ and encouraged their education and employment in such institutions. As a consequence, despite the poverty of the area, a lot of emphasis was placed on getting a good education. Since there were no English medium colleges in the area for a long time and English education was highly regarded, many would go to faraway cities outside Kerala for the sake of higher education, and families would make a lot of sacrifices to put their children through college.

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expensive than what was obtainable in the town.

⁷ Villagers were still more likely to use this source for loans since banks required collateral which few locals could produce.

⁸ Syrian Christian communities in Kerala long antedated Western colonialism and missionary activity and were the product of trade contacts between Kerala and the Middle East.

The extended family constituted a corporate unit and, though the households were often nuclear, they were situated adjacent to each other on the family property. The family structure here too, as in the Muslim case, was patrilineal and patriarchal, but women in the community were also well educated, and a significant minority even obtained jobs, mainly as teachers and nurses in the mission institutions. This was a highly religious community and affiliation to a church denomination formed a strong bond between members. The local church tradition placed a great deal of emphasis on saving and household budgeting (in fact the churches themselves organized chitties). Thus it was the Syrian Christians who were instrumental in starting the first banks and joint stock companies in the state. As a high-status minority community, the Syrian Christians had a strong sense of ethnic identity and exclusiveness, which led to a certain feeling of mutual obligation.

The tradition of young people migrating to cities for education and subsequently finding jobs there and staying on, or going to another city in search of jobs, was established quite early in Kambu. Since the nuclear household pattern was prevalent, the immediate family also settled in the city. The villagers from Kambu responded very early to the opportunities in the Middle East, with migration from the area beginning as early as the 1930s when the first Western oil companies began oil exploration in the region. Their English education and British contacts helped them to learn about the job prospects at this early stage and also to get well-paying white collar positions. The first migrants were technical engineers, clerical workers, and a few doctors and lawyers. Soon nurses came to be in big demand. The jobs were well paid and accommodation was generally provided, and since many of the wives were also able to find jobs there most of the migrants were able to take their families with them to the Gulf. Contracts for such workers were also longer term and were generally automatically renewed until they were ready to retire. Most of the early migrants were directly invited by the companies or their representatives, which meant that they did not have to go through agents. Even their air-fares were paid for by the companies. Later migrants went with the help of relatives who were well placed enough to secure them semiprofessional or white-collar positions without much difficulty. Thus, almost no one in this area had to turn to professional job agents.

Since most of the migrants from this area had their families with them in the Middle East, most of the money earned was deposited in banks there and only transferred back to Kambu around once a year in large amounts. Even when the family was left behind, they usually had some local sources of income such as agriculture or the salary of the wife, if she was working.

Thus there was less dependence on remittances for routine expenses. For this reason again, the money was sent in larger amounts at infrequent intervals. The migrant's wife took care of all the local economic transactions and decisions, and the money was almost always sent directly to her. As a result, migration enhanced the financial independence and autonomy of the women of the area. Even more important for the status of women was the fact that nurses from the area were often the primary migrants.

According to local bank officials, the villagers in Kembu manifested income maximizing behavior and a shrewd awareness of exchange fluctuations. Money was transferred directly to the local banks at optimal rates and was then distributed in securities and shares in such a way as to obtain the highest returns. The high level of education of the villagers, together with their tradition of employment in the banking sector in the Middle East and Kerala, allowed such information to be available as part of the ethnic resource of the community at large. Most of the remittances earned by the community were invested in financial instruments.

In general, the tradition of familial migration that had been created in the community had resulted in the loosening of community bonds and the development of a greater individualistic ethos. Because of this, and the general affluence of the community as a whole, there was very little reciprocatory or redistributionary activity in this area. Remittances were mainly used for the needs of the immediate family. A certain amount would be sent to parents and younger siblings but even this was not generally needed. Unlike the other two communities, in Kembu there was little or no gift-giving on return.⁹ Some money and gifts from abroad would be given to the families of house servants and to the poor people in the neighborhood who generally approached the migrant. Thank offerings and donations were also made to the church.

In viewing the expenditure patterns of the area as a whole, the first point to be noted is that, since income levels of this area were much higher than those of the other two villages, even the relative proportions of expenditure were likely to be very different. In general, the largest items of expenditure were education (huge donations were given to secure seats in professional colleges) and dowries (big dowries secured highly educated sons-in-law). However, and again unlike the other two communities, a good proportion of the income earned was invested in bank deposits and property. Having a large inheritance to pass on to one's children was an important value in this area. A lot of the local gossip consisted of attempts to speculate how

⁹ Even wedding gifts were not large unless it was for a close relative.

much individuals had “locked up in the bank” based on stray remarks made by the person, by friends, or by bank employees. Status in this community accrued from having a large bank balance, professionally educated family members and from being a devout Christian. The pastors of the area, however, remarked wryly that the material prosperity of the villagers had “often led them to turn away from God.”

5. Ethnicity and Economic Behavior

In the first part of this article, I pointed out that while the three groups were religiously different, the ethnicity of the communities was comprised of a much larger and more complex nexus of factors such as income, occupation, education, and family structure in addition to religion. This unique ethnic constellation of social variables conditioned the three different responses to the migration that the communities manifested and as a result, economic “development” meant something quite different in Veni, Cherur, and Kembu. At the same time, the economic affluence brought about by migration resulted in a reformulation of ethnicity in each of the three areas. In other words, there was a dialectical relationship between the economic and the socio-cultural spheres of community life.

As I have indicated, the Middle Eastern region offered a range of possible occupations for which migrant skills were needed, but the migrants from each of the three communities were “tracked” into different economic niches. Thus, migrants from Veni obtained jobs in the non-formal sector, those from Cherur took up formal contractual positions as technicians, while clerical workers and semiprofessionals dominated the outflow from Kembu. In every case the organization of the migration and remittance process was also distinct and a clear reflection of the cultural ethos and the social structure of the community. While ethnic networks were crucial to both the organization of migration and the remittance process, as I have shown in the previous section, they were used in different ways by each community.

With respect to the economic impact of the migration, while there was a pronounced change of lifestyles marked by cultural entrepreneurship, status spending, and public generosity in each village, the relative balance between these factors varied as did the specific income generating activities into which the savings were channeled. Economic control was also passed to different sets of individuals in the three cases. In Veni, a great deal of emphasis was given to distributing money earned to the largest circle of people within the community and to supporting religious activities. In Cherur, the money was largely used for the elaborations of life-cycle

rituals during which there was lavish gift-giving and entertaining. Thus, there was a smaller circle of exchange than in Veni. Money was also spent for education. In Kembu, on the other hand, the gains of migration were largely confined to the immediate family; some went to religious causes, but for the most part the emphasis was on spending the money on education and on saving the money earned. Again, the major forms of investment in the three communities varied, from business activities in Veni, to usury in Cherur, to fixed deposits and bonds in Kembu. The changes in the economic locus of control necessitated by the migration resulted in the strengthening of patrilinearity and patriarchy in Veni, the revitalization of female inheritance and matrilineality in Cherur, and the nuclearization of households as well as the empowerment of women in Kembu.

In each of the three cases, we can examine the social reasons for the divergent patterns of economic behavior and also show how the tension between individual acquisition and community demands was managed. In Veni, the Mappilas as an oppressed minority and a marginalized group emphasized the maintenance of the solidarity of the community.¹⁰ Both the migration process, with its heavy dependence on community members for information, visas, and sustenance in the Middle East, and the remittance process, which created and strengthened widespread networks, had the effect of fostering ethnic unity. Gulf money also contributed by increasing the number and range of people who were involved in exchange and dependency relationships, and by creating new religious institutions in the community. Their identity as fellow Mappila Muslims was constantly used to stress the necessity for charity, brotherhood, and equality. The emphasis on the purity, seclusion, and subordination of women was another value of the social order; here again, the newly earned affluence permitted its implementation by making possible the withdrawal of women from the labor force, earlier marriages, the use of taxis (with tinted windows) for transportation, and the rise of a wide network of provision shops.

In Cherur, the most encompassing value of the social order appeared to be the need to improve the social status of the Ezhava community. There was some tension between individual and community needs, since the route to success was to distinguish oneself as “successful” by a competitive display of wealth and a stress on education, both of which emphasized achieved qualities over the ascribed status of community membership. The practice of community members acting as “agents” and the use of Gulf money for usury had the effect of individual villagers enriching themselves at the expense of others in the community. However, even here generosity and

¹⁰ See Portes and Sensenbrenner (1993) on the conditions under which ethnic solidarity emerges.

redistribution were enforced through the emphasis given to gift exchanges within the circle of relatives and neighbors. Unlike the Mappilas, however, for whom gift-giving was generally a one-way relationship between the migrant and poorer non-migrants, reciprocity was stressed in Cherur. In addition, exchange relationships were limited to the particular caste members. The matrilineal principle, which was the distinguishing feature of this community, reemerged as a consequence of the migration.

Compared to both Veni and Cherur, where individual behavior was oriented toward the interactive community context, in Kembu it was the family, particularly the nuclear household rather than the community at large, that formed the effective social group. Thus, the emphasis here was on the reproduction of this unit. This accounts for the stress on accumulating family wealth and professional qualifications. The focus on the family was partly counteracted by the value placed on the importance of the religious community. Time and effort were often spent on religious activities upon return from the Middle East, which meant frequent interaction with fellow church members. However, since there were around twelve churches in Kembu (an area of approximately one and a half square miles), each had a fairly small congregation, thus affording only a very limited community context.

Although the ethnic structure of the community constrained how individuals used migrant remittances, it was in turn recreated by the affluence brought about by migration. Thus, at the time of my research, the Mappilas were moving from being an inward-oriented and anti-modern community to one which increasingly participated in the larger society. They were taking pride in adopting the dress styles of the Hindus and in taking over many of their rituals (particularly during the marriage ceremony). Having the latest consumer durables and “modern” building styles for their houses had become a matter of prestige. Religiosity had also become redefined in terms of “externals” (such as attending the mosque, sending children for extra religious instruction, and the ostentatious giving of charity) over the earlier practices of keeping to the five daily prayer times, strictly observing the Ramadan fast, avoiding alcohol, and following the other daily prescriptions and proscriptions given by Islam.

The Ezhas had achieved a transformation in their economic and social status as a consequence of the migration. From being a poor community with few rights, and only a little above the slave castes, they had become an increasingly affluent section of society, rapidly becoming educated and politically powerful. They had also shed much of their caste stigma in the process and were becoming more confident, but also less cohesive. A new

ethnic identity was being formulated by the group, as evidenced by the changes introduced in the ritual sphere which symbolically represented the changed emphasis on class position, education, and occupational prestige over the traditional criteria of caste status.

The Syrian Christians, who had been a devout, hardworking, and frugal farming community, had turned to occupations in the tertiary sector, luxurious living, and a greater degree of individualism. All this brought about changes in their community identity. Their economic prosperity changed their earlier Puritan-like ethic to one which tended to be more complacently religious, judging their economic success as a sign of divine favor. With the deepening of the nuclearization process, the ties between extended family members (which were traditionally very strong) were being weakened.

6. Conclusion: Implications for Policy

I began this article with a discussion of two common patterns manifested by international return migrants – conspicuous consumption and lavish generosity. Although both these characteristics were manifested to some extent by all three communities, there were apparent differences between the areas in these respects. The crucial variables determining the extent to which the money was used for display and generosity seemed to be the degree of community feeling and competitiveness.¹¹ We have seen how the presence of a strong community ethic and a stress on cooperation in Veni led to a greater emphasis on donorship, while in Cherur, the presence of a strong competitive ethos together with a community context gave rise to a greater emphasis on conspicuous consumption. It is probably the greater individualism in Kembu that accounted for their low degree of conformity to the “typical” migrant model.

I have argued that consumption, investment, and exchange patterns are affected by two important variables: the way the income is obtained and the characteristics of the community within which the income is spent. Thus, in Veni, Cherur, and Kembu, similarities in the way in which income earned from international migration was perceived (as having some of the qualities of windfall or unearned income), together with the variation in the communities’ ethnic structures, account for the differences in the economic patterns of the three areas. In each case, it was the larger ethnic structure

¹¹ Engelbrektsson, who studied two Turkish villages which had a large migration to Europe found that it was the migrants from the highly stratified Yenikoy who manifested patterns of lavish consumption in an attempt to earn prestige in the society. The migrants from the more homogenous and cohesive Alihan did not do so (Engelbrektsson 1978).

and the definition of status in each community that conditioned the types of activities into which the money was channeled, the range of people who were the beneficiaries of migrant remittances, the patterns of reciprocity or charity practiced by the migrants, the selection of the trade-off point between community status and economic accumulation, and the groups of individuals who gained or lost economic control. At the same time, the economic resources and prestige gained through international migration and the sheer numbers of migrants involved gave the latter the opportunity to reformulate their own identity and that of the community.

The role of ethnicity in shaping patterns of migration and remittance use and the substantial variations in these patterns among the major communities in Kerala have generally not been recognized by the economists or policymakers who have been studying the impact of the migration on the state. Some studies of the Gulf migration in Kerala have documented a few of the community differences discussed in this article, but only in passing. For instance Raju Kurian (1978) conducted a comparative study in two villages – one near Kembu and another near Cherur – and noted significant differences in the educational and economic backgrounds and migration patterns of the migrants from both regions. But he does not comment or explain the reasons for these differences. While Kurian does not reveal the religio-ethnic composition of the villages, from their location we can infer that one was largely Syrian Christian and that the other was largely comprised of Ezhava Hindu migrants. A statewide study documented differences in the economic and educational backgrounds of migrants from Muslim, Christian, and Hindu backgrounds (Nair 1986), and another large migration survey conducted in 1998 noted variations in the proportion of migrants among the different ethnic groups in Kerala (Zachariah et al. 1999). However, none of these studies pursue the implications of the variations or what it might mean for policy.

In general, the studies of the economic impact of Gulf migration on villages, districts, and Kerala as a whole have largely proceeded on the assumption that there was a “generic” migrant. Most of the studies and the questionnaires were designed on the assumption that the migrant went on a legal contract for a particular job and a fixed salary, that he remitted the entire amount saved to his immediate family on a monthly basis, and that this monthly remittance represented the total monetary benefit gained through the migration.¹² Again, consumption patterns of migrant

¹² Thus there were questions on the type of job, monthly earnings, as well as the monthly or annual remittances (see Government of Kerala 1987; Commerce Research Bureau 1978; Prakash 1978; Radhakrishnan and Ibrahim 1981). Saith in his paper on the impact of the invasion of Kuwait on remittances to Kerala, calculates: “Assuming that 75 percent of the total of 181,000 Indians in Iraq

households were examined through questions which asked how much of the monthly income was spent on fixed categories such as food, clothing, fuel and light, education, and “other” (see Government of Kerala 1987; Prakash 1978). In trying to determine the manner in which remittances were used, some studies (e.g., Commerce Research Bureau 1978) looked at the physical asset position but excluded the financial.¹³ From the material presented in this article, it should be obvious that the design of these studies missed crucial variations among groups, and also that the economic behavior of few of the migrants or their households could be captured by these categories. Finally, to get an idea of the total remittances earned by the state, one of the main indicators taken was the amount of foreign currency that was received by banks. But I have pointed out that in areas like Veni, most of the remittances were sent through illegal channels which were not included in the official estimates. In Cherur, the money was sent in the form of postal drafts which also would not have been counted by these estimates. Since more than half of the migrants from the state were Muslims and 13 percent were Ezhavas (Zachariah et al. 1999, 16) it is clear that only a small proportion of the remittances were sent through banks. Evidently the studies were inappropriately operationalized due to a lack of understanding of the way in which the Gulf migration took place in a majority of emigrant communities in Kerala. It is not surprising that conclusions and policy directives based on such assumptions were off-target. In the early period of the migration, economists and government officials had hoped that migrant remittances would fuel Kerala’s economic growth by stimulating its ailing industrial sector. When this did not take place, some tentative attempts were made to try to divert a part of the remittances to this sector. These attempts met with little success (see Nair 1989, 360). Few people seemed interested in such an investment, and with the chronic labor strikes in Kerala and the increased wage rates (due to the Gulf migration), industries based in the state were not competitive with those located in lower-wage areas of the country.

Studies focusing on the economic impacts of international migration have largely ignored the role of socio-cultural factors in shaping economic behavior. This chapter has argued that the use of migrant remittances is fundamentally affected by the way in which such remittances are

and Kuwait were workers... and that every worker on average sent home a monthly remittance of Rs. 3,000... the figure for the loss of remittances would be approximately US\$270 million per year” (Saith 1992, 108). Although Isaac (1993) discusses different types of Gulf migrants, he too falls into the trap of equating the “salaries” of the migrants with their total monetary gain from the migration.

¹³ The Commerce Research Bureau thus had the following categories: Land, Buildings, Jewellery, Radio, Car, Scooter, Cycle, Tape-recorder, Refrigerator, Total [value of these assets] (1978, 25).

perceived, the status-seeking activities of migrants, and the ethnic structure and values of each community. Governments, banks, and development organizations that seek to augment the developmental benefit of migrant remittances must recognize the importance of these factors for migrants and that “development” can be defined very differently by groups. Clearly, therefore, economists need to abandon the generic migrant model and design policies and investment opportunities that take group differences into account.

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Migrant Workers' Remittances and Rural Development in China

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1. Introduction

China is the world's most populous nation and also has the largest rural population, numbering 757 million in 2004 (NBS 2005, p. 93). During the last quarter of the twentieth century, China has experienced perhaps the most rapid urbanization in the history of the world: The urban population increased from 9 percent of the total in 1978 to 41.7 percent in 2004 (NBS 2005, 93), and rural–urban labor migrants (both seasonal and non-seasonal) numbered over 100 million. The enormous impact of this demographic transformation on China's socio-economic development has yet to be fully appreciated.

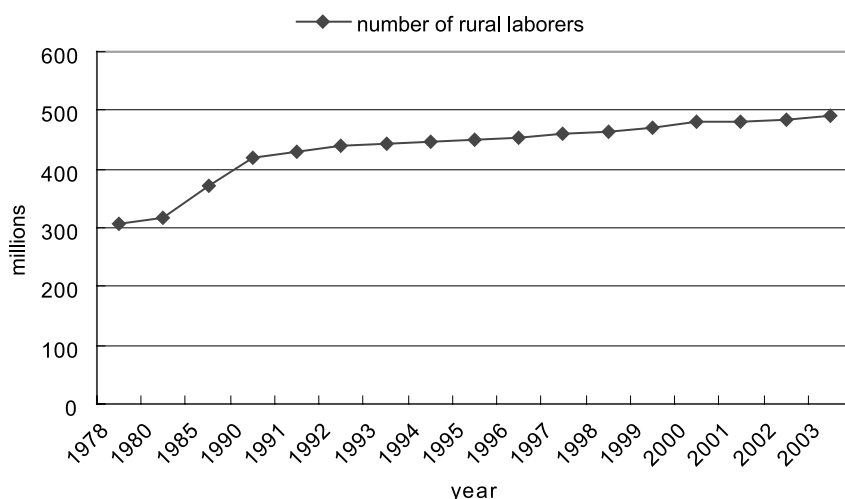
The authors concur with many other scholars that the remittances sent by rural migrant workers play a significant role in rural development in China (Li Qiang 2001), but we go further in raising two additional questions. First, have remittances been put to effective and rational use in promoting rural development? Second, how are we to understand, and respond to, the seemingly contradictory situation whereby migrant workers make a huge contribution to rural communities through remittances while themselves living in relative poverty in cities?

A number of government policies, especially those on education, health care, taxation, financing, and so forth, have played a vital role in labor migration and rural development (Huang and Zhan 2005). In considering the questions above, the authors will examine the effects of these policies and consider how they shape the impact of remittances on rural development in China. In doing so, we draw both on our own recent research and on the relevant work of other scholars.

2. Rural Development and Labor Migration: A Profile

The initiation of rural reform in 1978 is widely regarded as a milestone in Chinese development policy, bringing as it did the abolition of the People's Commune system and the adoption of the Household Responsibility System. Rural reform greatly increased rural household income and accelerated rural development. The per capita income of rural residents increased by 168.9 percent from 1978 to 1985 and the rate of yearly increase reached as much as 24.1 percent (NBS 2002a, 19). Another important result of the reform was the relaxation of rural laborers' ties to the land and the transfer of growing numbers of rural laborers to non-agricultural sectors or off-farm activities. From the mid-1980s, rural residents started to open their own enterprises near or close to villages and townships: the now well-known Township and Village Enterprises (TVEs). By 1990 these businesses had absorbed about 92.7 million rural laborers, rising to 135.1 million by 1996 (NBS 2000, 119). However, there remains a large "surplus" of labor in rural areas. According to some researchers, only 150 million out of 500 million rural laborers (see Figure 1) are needed in agriculture, and the other 350 million rural laborers should be transferred to non-agricultural sectors. Rural-urban migration has been regarded as one of main ways to achieve this transfer of surplus rural labor.

Figure 1. Number of Rural Laborers in China: 1978–2003



Source: NBS 2004, 473.

Large-scale rural labor migration was the result of several factors: the relaxation of institutional constraints (including the household registration or *hukou* system), unemployment in rural areas, sluggish rural development and rural laborers' own agency (Huang et al., 1997). A remarkable increase

in labor migration emerged after, and to a great extent as a result of, Deng Xiaoping’s Tour of the South (*nanxun*) in 1992, which stimulated investment (Lu et al., 2002) and produced a high demand for laborers in coastal areas. The number of rural migrant workers reached 40 million in 1992, 60 million in 1994, and 72.2 million in 1996 (see Table 1). In the late 1990s, difficulties in rural development, the so-called “Three Rural Problems” of farmers, agriculture, and rural areas (*sannongwenti*), gave a remarkable impetus to rural labor migration and resulted in a continuous increase in the number of rural–urban migrants. In 2004, according to the Ministry of Agriculture, 126.0 million rural laborers worked away from their homes for more than three months (*Beijing Youth Daily* 2005). Mo Rong, an expert on labor markets, estimates that in the coming decade, 12–13 million rural residents will transfer to urban areas annually (Xinhuanet 2005).

Table 1. Data of Rural Labor Mobility: 1988–2002¹

Year	1988	1992	1994	1996	1999	2000	2001	2002	2003	2004
Labour millions	26.0	40.0	60.0	72.2	82.0	88.0	89.6	94.0	111.9	126.0

3. Positive Effects of Migrant Workers’ Remittances

One of the most conspicuous effects of rural–urban labor migration is the huge flow of remittances from urban to rural areas, and from the coastal to the central and western regions. There are no accurate statistics on the total amount of migrant workers’ remittances in China, but a rough estimate can be made by multiplying the amount of individual remittances. On average, migrant workers may remit 3,000 to 4,000 RMB annually to their families in rural areas.² According to one report in 2003 migrant workers’ remittances amounted to 340 billion RMB, about 18 percent of total rural income (GHK Ltd 2004). Another recent report estimated that the total amount was about 223 billion RMB (27.55 billion USD) in 2004, and 249 billion RMB (30.7 billion USD) in 2005 (Cheng and Zhong 2005).

Although it is impossible to determine precisely the total value of remittances, there is no doubt that this huge influx of money to rural areas has had many positive effects on rural development, which are summarized below.

¹ This table is based on the materials from interviews with experts as well as statistics, also see Zhan, 2004.

² Remittances include money remitted by post office and bank transfers as well as money brought back to rural area by migrants themselves.

3.1 Narrowing the Rural–Urban Income Gap and Reducing Regional Disparity

Remittances help to slow down the widening of the rural–urban income gap and regional disparity. The income gap between rural and urban areas has been widening continuously since the mid-1980s. In 2003, the ratio of the per capita income of rural residents (2622.2 yuan) to urban residents (8,472.2 yuan) had risen to 1:3.23 (NBS 2004, 357). If there were no inflow of remittances, the gap would be much wider.

Since reform and opening up began in the late 1970s, development in China has been characterized by imbalance between regions, with much higher economic growth and more rapid development in eastern and coastal areas than in central and western China. Labor migration from western and central to eastern China has resulted in remittances flowing back to the sending places, which is believed to have slowed the widening of regional disparity (UNDP 1998). For example, in the early 1990s, annual migrant workers' remittances to one poor county in Sichuan Province were more than five times its yearly revenue (Lau and Huang 2003). A media article reports that in 2000 there were twenty-two counties in Guizhou Province (the least developed province in southwestern China) where migrant workers' remittances outstripped the local yearly revenue (Xinhuanet 2002).

3.2 Reducing Rural Poverty

According to official statistics, the number of rural dwellers living in poverty plummeted from 250 million in 1978 to 30 million in 2000 and the incidence of rural poverty fell from 30.7 percent to about 3 percent.³ Despite the success of rural poverty reduction in China, many rural people's incomes remain close to the official poverty line of 625 yuan per year per person. Furthermore, as Premier Wen Jiabao himself has pointed out, if the Poverty Line were increased by only 100 yuan, 30 million more people would be counted as poor, and if it were increased by 200 yuan, 60 million would fall below it (People's Daily, 19 March 2003).

The remittances of migrant laborers play an important role in reducing rural poverty: if a migrant laborer remits 3,500 RMB to his or her family a year, the family (assuming there are fewer than five members) can move out of poverty. Coauthor Zhan Shaohua's recent research supports this assumption. For example, he interviewed a family (eight members: mother,

³ *White Book on Poverty Alleviation and Development*, released by China government in August 2003.

husband and wife, four daughters and one son) in a village in Chifeng Municipality, Inner Mongolia, which belonged to a poverty household before 2000 and made a living entirely from agriculture. After 2000, three elder daughters left to work in Beijing and they remitted about 9,000 RMB back home in 2004. With these remittances the family can now cover living expenses, the educational fees of the younger sister and brother, and the medical expenses of the wife (who suffers from a lung problem and is not able to work any more). Actually, as early as the beginning of the 1990s, some local governments started to see rural labor migration as the primary means of reducing poverty and promoting local development. Since 2000, the central government has also adopted this approach and started to help laborers in poor households migrate and find jobs in cities⁴.

3.3 Paying for Basic Education and Health Care

In 1986, China promulgated a law that strengthened compulsory education, making primary school (six years) and junior middle school (three years) part of the so-called “Nine Years of Compulsory Education.” However, compulsory education is not entirely free for rural households, which must pay for their children’s tuition, textbooks, stationery, exam fees, etc. These expenses can be quite high. For example, in some poor counties in Gansu Province of northwestern China, the annual fee for primary school in 2000 was over 100 yuan, and for junior middle school almost 350 yuan, but the per capita annual income of local rural residents was only 700-900 yuan. (Bray et al. 2004). In some rural areas, school fees place a heavy burden on households, which have to rely on remittances to pay them if they cannot earn enough income from farming or working in TVEs, as is usually the case in sending areas in central and western China. In 2003, coauthor Zhan Shaohua conducted in-depth interviews with sixty-two young female migrants (most of them unmarried) who came from Chifeng, Inner Mongolia to Beijing. Thirteen of them (21.0 percent) said explicitly that they send remittances from their wages to pay for their siblings’ education (Table 2). It can therefore reasonably be assumed that there would be more dropouts from school if these rural households had no access to remittances.

⁴ Some research shows that the poorest households are less likely to migrate because of the cost of transportation, lack of skills, etc (Cai Fang and Du Yang 2003).

Table 2. “How Do You Use Your Wages?”

	Frequency	Percent
1. Spend most by myself	13	21.0
2. Save up by myself	6	9.7
3. Remit money home and let parents keep it for me	11	17.7
4. Remit money home for living expenses	30	48.4
5. Remit money for siblings' education	13	21.0
6. Other	5	8.1

Note: 62 migrants were interviewed in total and 16 persons gave two answers.

Since the system of Rural Cooperative Health Care, which was established in the 1950s–60s and was primarily responsible for promoting public health in rural areas, was dismantled in the 1980s, rural households have had to pay for their own medical care. With the market-oriented reform of the public health system, they are paying increasingly higher fees and the cost of health care has become a big burden for rural residents. To avoid the expense, many rural households simply choose not to see a doctor or go to the hospital. According to one study, 38.6 percent of rural residents had not seen a doctor when they became ill, and as many as 75.4 percent of patients had not been hospitalized when it was necessary (Wang, 2004: 80–104). Although there is no specific data on the proportion of remittances that is used for medical care, it is obvious that many households have to use remittances for this purpose. The authors' research in Yunnan Province and Inner Mongolia revealed this to be the case as, for example, in the family mentioned above, in which the wife's medical care is paid for by the daughters' remittances.

3.4 Promoting Consumption and Investment

In the late 1990s, the rural problems became increasingly serious in China. Rural residents found that rural production was not profitable due to the high cost of agriculture (including seeds, pesticide, fertilizer, etc.) and the relatively low prices for agricultural products. Rural households had to find non-agricultural employment to meet daily expenses and even support their continued agricultural activities. More and more rural laborers, especially in central and western regions, left their farmland for cities or urban areas, regardless of whether they were “surplus laborers,” or not. Their remittances became the major source of cash income for rural residents. Per capita net income increased by 42.8 percent from 1995 (1,577.74 yuan) to 2000 (2,253.42 yuan). However, salary income increased by 98.6 percent during this period and the increases were much higher in the central and western regions: 153.3 percent and 165.0 percent, respectively

(Table 3). In the central and western regions, a large part of salary income comes from the remittances of migrant workers. For example, in 2001, remittances accounted for 58.8 percent of salary income in Anhui Province in central China, and 37.2 percent in Guizhou Province in southwestern China (China Rural Household Survey Yearbook 2002, 257).

Table 3. Annual Rural Salary Income in China in 1995 and 2000 (Yuan Per Capita)

	National	East	Central	West
1995	353.70	635.10	219.01	146.69
2000	702.30	1223.08	554.75	388.77
Increased rate (percent)	98.6	92.6	153.3	165.0

Source: NBS 2002b, 67-69.

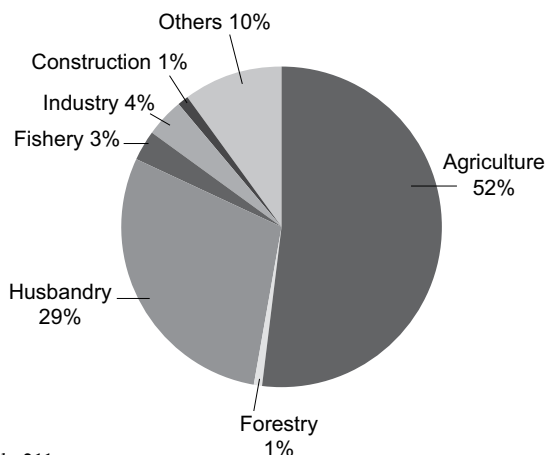
There is no overall data on how the remittances are used at the household level, but many researchers have observed that rural households spend a large proportion of remittances on consumption and basic or “public sector” expenditures, including house building, festivals, primary education, basic health care, etc. (Huang and Pieke 2004; Lu et al. 2002). A national survey shows that in 1995 and 2000, more than 50 percent of cash expenditures went on consumption (Table 4). Furthermore, of cash expenditures for family business, less than 20 percent were spent on businesses other than agriculture (this includes husbandry, fishery and forestry). Only 14.98 percent were spent in this way in 2000 (Figure 2). These findings indicate that migrant workers’ remittances, while a main source of cash income for rural households, are largely used for consumption and agricultural investment rather than for investment in non-agricultural activities.

Table 4. Rural Households’ Cash Expenditure in 1995 and 2000 (Yuan Per Capita)

	Total	Family business	Purchase of production equipments	Tax and fee	Consumption	Transfer and others
1995	1545.81	454.74	62.33	76.96	859.43	92.35
2000	2140.37	544.49	63.91	89.81	1284.74	157.42

Source: NBS 2002b, 177, 207

Figure 2. Composition of Cash Expenditure on Family Business in 2000



Source: NBS 2002b, 211.

These findings were something of a disappointment to those who assumed that migrant workers would return to start their own businesses in rural areas, drawing on the new ideas, skills and savings (from remittances) that they had accumulated over several years of working in urban areas. Contrary to these assumptions, research conducted in Anhui and Sichuan in 1999–2000 revealed that only a very small number of returned migrant workers successfully established their own businesses (Bai et al. 2002).

However, we will underestimate the significance of remittances for investment if we fail to recognize that, on the one hand, the troubling state of rural development in the late 1990s prevented households from investing remittances in industrial or non-agricultural activities, and, on the other hand, that investment in agriculture is just as important for rural development. The authors' recent research on a village in Chifeng shows that some households have acquired and farm more land than before.⁵ In this case, they have used remittances from other family members to invest in the farmland and pay land rents to the owners. In other cases, investments in husbandry, fishery and forestry, which make up a significant portion of rural households' income (see Table 5), may depend on remittances for the initial period.

⁵ As more and more households move to urban areas, their farmland becomes available to those who stay behind. This phenomenon can be observed in many villages in other areas in rural China.

Table 5. Composition of Rural Households' Net Income in 2003 (Yuan Per Capita)

	Total	Salary	Income from family business						Income from property & transfer
			Farming	Husbandry	Forestry	Fishery	Secondary Industry	Tertiary Industry	
Income	2622.24	918.38	885.70	245.68	29.28	34.92	108.61	237.07	162.33
Percentage	100	35.0	33.8	9.4	1.1	1.3	4.1	9.1	6.2

Source: NBS 2004b, 290.

4. Further Questions

The research discussed above leaves little doubt that remittances have had significant, positive effects on rural development in China. However, their role and relevance need to be examined further. In the following section we discuss this issue from two perspectives, focusing on the relationship between remittances and poverty among migrant workers.

Our first question is whether remittances have been put to effective and rational use in promoting rural development. The cases discussed above have already raised questions about this. For example, as an important source of income for rural households, remittances are often used to pay for primary education and basic health care, which should, as public services, be provided or at least supported by the government.

Our second question concerns the seemingly contradictory situation in which migrant workers send valuable remittances back to rural areas every year, but at the same time live in relative poverty in cities, at least partly because of the large proportion of their salaries that they send home. We seek to understand this issue better and consider how a more reasonable relationship can be established between rural development and migrant workers' lives in cities.

To answer these questions, we need to examine government policies that shape the use of remittances and contribute to poverty among migrant workers. In the following section we reflect upon specific policies and show how they affect the use of remittances. Based on this analysis, we highlight some policy implications for rural development from the perspective of remittances.

4.1 The Use of Remittances

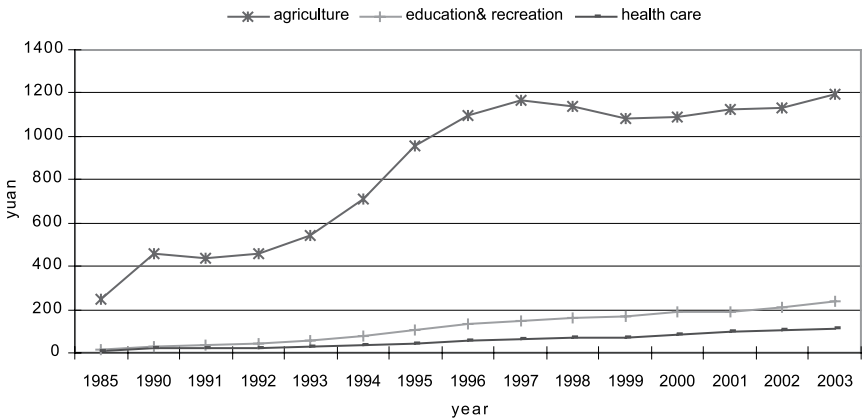
Undoubtedly, the reforms of the late 1970s and early 1980s stimulated rural economic growth and increased rural household income. But they also brought about change, and in some cases, the demise of some longstanding and effective rural institutions, placing a much heavier economic burden on rural households. Rural policies on basic education and health care are two important examples of this, and the rolling back of public provision of these services correlates closely with remittances. In addition, taxation and the rural finance policy have also had an impact on the effective use of remittances.

Basic Education

Current policies on basic education in rural areas were instituted in the mid-1980s, when the government clarified the respective responsibilities of the central and local governments and rural communities⁶ (Cai et al. 2004, 226). This institutional arrangement was intended to mobilize various different resources to support basic education. In fact, whether directly or indirectly, rural households have been forced to assume a large part of the cost, especially in rural parts of central and western China, where local industry is less developed than eastern China, and local taxation to support public expenditure (for such as teachers' salaries, school infrastructure, etc.) must mainly depend on agricultural production. While the cost of basic education has gone up annually with the rising price of textbooks, stationary, equipment and teachers' salaries, growth in rural household income from agriculture has been sluggish since the mid-1990s (see Figure 3). Clearly, rural households must seek other sources of income to cover the cost.

⁶ The responsibilities are as follows: The central government issues the policies and helps poor areas improve their basic education; provincial governments manage and monitor the implementation of the policies; county governments are responsible for programming and financing all the county's basic education; township governments must establish a department to raise and manage funds for education; villages have the responsibility to build up and maintain their schoolhouses, pay for informal teachers, manage school assets, mobilize children to enroll, and participate in administration of schools.

Figure 3. Rural households' Net Income from Agriculture and Expenditure on Education and Health Care: 1985-2003 (each Person)



Sources: NBS 1994, 227; 1997, 313; 1999, 338; 2000, 331; 2002, 343; 2003, 381; NBS 2004c, 40.

One of most important income sources is remittances from rural labor migration. As mentioned above, some family members go to cities to earn cash income to support the basic education of their sons and daughters or brothers and sisters. The use of remittances for this purpose is very important to rural households, which otherwise might have to let their children drop out of the school. As education is important for rural development, this is also an important contribution to the future well-being of rural communities. The problem is that remittances that are spent on basic education cannot be used for other purposes such as investment. At the same time, basic education is an important public good that should be financed by the central government, which can help to balance regional disparities in public revenue and expenditures.⁷

A turning point was recently reached when Chinese Premier Wen Jiabao announced in his *Government Work Report* in March 2005 that students in compulsory education in counties identified as poor since 2005 did not need to pay for their textbooks or fees. The policy will be implemented across the whole country from 2007. In his *Government Work Report* in March 2006, Wen Jiabao reiterated this policy and said that tuition fees would be eliminated in the western region in 2006 and in the central and eastern regions in 2007.

This significant policy change is one component of a larger policy shift made by the central government, as are the other policy changes discussed below.

⁷ Generally, western and central China lag far behind eastern China and coastal areas in terms of economic development, especially since the reform and opening up.

This reorientation was signaled by the “New Paradigm for Development” initiated by the central government in 2003, which emphasized more balanced, more comprehensive, and more sustainable development. Under the New Paradigm, five relationships⁸ must be balanced in future development, and in particular the gaps between rural and urban areas, and between the western and eastern regions, must be addressed. In the beginning of 2005, the central authorities prioritized the significance of establishing a harmonious society, and attached much more importance to social justice and social inclusion for different social groups. Under these general principles, specific policies have been established to address rural development⁹ and rural labor migration.

The new policy on basic education has dispelled some of the anxiety that remittances are being diverted to this use and indicates that rural households should be able to save at least some remittances for other purposes.

Rural Health Care

Health care is another important expense for which many rural households must rely on remittances. As we mentioned above, since the cooperative system of rural healthcare was dismantled, rural residents have had to pay for their own medical care, which is often unaffordable due to the high cost of medicine and seeing a doctor. National statistics show that rural households are spending more and more on medical care (Figure 3). One of the negative consequences of this is that many rural households choose not to see doctors or go to hospitals (see Table 6), and many households even lapse into poverty due to medical bills.¹⁰ Government support for public health in rural areas has been very limited: in 2003, rural households contributed 90.15 percent of financing for rural health care, while the government contributed only 6.59 percent. (Rural Development Institute, CASS 2004, 227). This has made many households vulnerable to disease, especially infectious diseases such as tuberculosis, hepatitis,

⁸ The five relationships are identified as those between rural and urban areas, between economic and social development, between western and eastern regions, between humans and nature, and between domestic development and opening to the rest of the world.

⁹ CPC and State Council 2004 No. 1 Document gave top priority to rural development and increasing the income of rural residents. Again, the 2005 No. 1 Document focused on improving agricultural production and promoting of rural development. A series of concrete measures have followed up on these priorities. The 5th session of 16th CPC Central Committee, which was held in October 2005, again emphasized the importance of rural development and further set a strategy to build up “a new socialist countryside” within the 11th Five-year Plan (2006–2010), including measures to increase rural residents’ income and improve rural public services and infrastructure.

¹⁰ There is a popular saying in rural areas: “Neglect small diseases, grit your teeth over big diseases, and at last go to heaven.”

schistosomiasis, etc. This decline in the provision of rural health care has a negative effect on rural development.

Table 6. Percentage Who Choose Not to See a Doctor or Enter Hospital When it is Necessary in Rural and Urban Areas

		Year		
		1993	1998	2003
Not see a doctor	Urban area	4.3	32.3	36.4
	Rural area	19.9	36.7	38.6
Not hospitalize	Urban area	41.0	60.0	56.1
	Rural area	60.6	64.0	75.4

Source: Wang Yanzhong 2004, 98.

Medical bills, which must usually be paid in cash, force rural households to find other sources of income, and remittances have filled this gap, especially in central and western areas where Town and Village Enterprises have not as yet developed on a large scale and rural households do not have other ways of earning money. As with education, the use of remittances to pay for medical care prevents families investing them in agriculture (including raising crops, livestock, fishery and forestry) or in non-agriculture sectors. Because medical care (like basic education) is a primary need, it should generally receive priority. It is therefore very important that the government should enlarge and improve its contribution to the provision of health care in rural areas so that remittances can be “liberated” and play a bigger role in rural development.

There have been some positive changes in this domain as well. The Severe Acute Respiratory Syndrome (SARS) crisis in 2003 made the Chinese government realize the fragility of the current rural health care system, as well as its significance in maintaining public health. In the same year, the central government launched an experimental project to build up a New Cooperative System for Rural Medical Care in some rural areas. In a national working meeting of the project, held in September 2005, the Minister of Health announced that the government will increase expenditure for rural medical care and extend the new system to more areas. The new system aims at treating serious diseases and preventing rural households from slipping into poverty due to illness. Despite current disputes over how to establish and strengthen the system,¹¹ it is evident that the central government has the political will to improve health care in rural areas. This is also reflected in Wen Jiabao’s *Government Work Report* in March 2006.

¹¹ The effects of the project remain unclear as yet. The key point here is whether the system can reduce rural households’ expenditure on health care as well as improve overall health conditions in rural areas. That is the reason why some researchers have argued that the prevention of diseases would be more effective than focusing on serious diseases (Yang 2005).

As with the abolition of tuition fees for basic education, increasing government expenditure on rural health care creates a scenario in which rural households can reduce their dependency on remittances for basic needs and channel them more effectively into rural development.

Taxation and the Rural Fiscal System

Aside from the cost of education and health care, rural households have also had to shoulder a growing burden of taxes and fees. Without adequate revenue, local governments (at the township and county levels in particular) must resort to extracting more taxes and fees from rural households, mainly to pay the salaries of officials and teachers, and for administrative costs. According to statistics, the agricultural tax reached almost 100 yuan per person in late 1990s (NBS 2002b, 34), which was undoubtedly an economic burden for poor households. As a result, tension between local officials and rural residents has increased to such a high degree that in some areas the Three Rural Problems have become a topic of public debate. High agricultural taxes have had the same effect as rising costs for basic education and health care, and some rural households have had to rely on remittances to pay them. Clearly this is not an appropriate role for remittances to play in rural development.

To reduce the burden of rural households, which has been a public issue since the late 1990s, Chinese Premier Wen Jiabao announced in his *Government Work Report* in March 2005, and again in March 2006, that the agricultural tax, which totaled 33.6 billion yuan (about 8.2 billion USD), would be waived completely starting in 2006.

However, it would be naïve to believe that the problems facing rural development in China can be solved merely by reducing these burdens and increasing government expenditure. For example, by 2003 the total debt owed by township governments¹² in China had reached more than 230 billion yuan (about 29 billion USD). According to one estimate, each township owed an average of almost 5 million or about \$500,000 USD (*Financial and Economic Daily*, April 2, 2004). And, with the waiving of agricultural taxes and fees, township governments will face even greater financial pressure to which policy will need to respond.

Another issue is the problem of rural finance, which is also closely related to the use of remittances. When rural households receive remittances, most

¹² Township governments usually borrow money from banks for staff salaries, teachers' wages, development programs, and so on when they cannot acquire enough revenues from taxes and fees.

of them deposit the money in a bank rather than spending it immediately. Theoretically, these savings should be loaned to rural households who need capital to start businesses, or be lent out for other uses that would promote rural development. But in fact most banks in rural areas refuse to provide loans to rural households because most of them are not able to provide guarantees and, at the same time, the administration of small loans is costly and the profits are small. Instead, the savings deposited by rural households are loaned to enterprises in cities and coastal areas. As a result, a bizarre situation has developed in which migrant workers remit money to rural areas and the banks then transfer the money back to urban areas in the form of loans. According to one survey, in 1997 the amount deposited in four commercial banks¹³ was 735.79 billion yuan (about 91 billion USD) more than the loans they made in rural areas. In 2001 the difference had increased to 940.37 billion yuan (about 117 billion USD). The Postal System also accepts deposits in rural areas but never makes loans there. In 2002, deposits amounted to 171.06 billion yuan (about 21 billion USD), rising to 442.14 billion yuan (about 55 billion USD) in 2002 (Standing Committee of the National People's Congress 2004). These problems with finance in rural areas have also prevented the use of remittances for rural development, and consequently made the gap between rural and urban areas wider.

Recent changes in policy on basic education, rural health care, and taxation have the potential to “liberate” remittances from being used to pay for basic public services, taxes, and fees, and allow them to play a more effective role in rural development and in reducing the gap between rural and urban areas. However, some complicated problems remain, including the question of rural financing. These problems, which have deep historical roots, continue to limit the impact of remittances on rural development.

4.2 Poverty among Migrant Workers

Migrant workers' remittances have made a great contribution to rural development in China. But the huge amount of money they have been able to remit is made possible partly by the poor working and living conditions that they endure in cities. Most migrant workers are employed in the so-called “3-D” jobs (dirty, dangerous, and difficult), earn low salaries (mostly 500-800 yuan per month), curtail their living expenditure by all possible means, and save and remit the major part of their wages back home. Their living conditions are typically characterized by cramped

¹³ The four commercial banks are: the Agricultural Bank, the Construction Bank, the Bank of Industry and Commerce, and the Bank of China.

housing, low expenditures, lack of health care, etc. Many studies have shown that a great number of migrant workers actually live in poverty in cities, especially in large cities and coastal areas, in stark contrast to the general prosperity of these places (Wang and Li 2001). Our research shows that poverty among migrant workers not only presents itself in the economic or material domain but also in the social sphere, where migrant workers have to endure inequality and social exclusion from urban society (Zhan Shaohua 2004).

The existence of poverty among migrant workers, which can be attributed to the rural–urban gap, regional disparity, or family strategy,¹⁴ means that migrant workers or rural households have to bear a great part of social and economic costs of migration in order to obtain the benefits, which include remittances. If the costs are too high, they will threaten and even harm rural development. For example, if migrant workers’ physical or mental health is damaged by overwork, work injuries, poor living conditions, social exclusion, etc. – problems revealed by many studies (Meng ed. 2004, 87-108) – their human capital will greatly decrease. If this happens, migration will not contribute to rural development and, in fact, rural communities will have to bear the cost of providing social security and relief for them when they return from the city. In seeking to ensure that migration contributes to rural development, it is therefore also important to find effective ways to reduce the social and economic costs of labor migration, and reduce poverty among migrant workers.

Policies toward Poverty among Migrant Workers

With the central government’s shift toward seeing migration as an integral part of its development strategy, more and more policies have been issued that are designed to improve the living and working conditions of migrant workers. Some of these initiatives can, at least in theory, reduce poverty among rural–urban migrants. For example, in September 2003, the State Council promulgated *The National Plan for Training Rural Migrants in 2003-2010*, which was jointly drafted by six ministries¹⁵ and aimed to provide hundreds of millions of migrant workers with orientation classes (in law, health, and job-seeking skills), as well as vocational training and basic-skills programs. In March 2004, the State Council launched the “Sunshine Project,” which is implemented by the Ministry of Agriculture,

¹⁴ A comparative study showed that migrant workers in China are likely to remit a larger proportion of their income to their place of origin than migrants in other developing countries (Li Qiang 2001).

¹⁵ They are: Ministry of Agriculture, Ministry of Labor and Social Security, Ministry of Education, Ministry of Science and Technology, Ministry of Construction, and Ministry of Finance.

to train new rural migrants in the sending areas, especially those which have been identified as poor. Part of the national plan, this training program is designed to improve migrant workers' skills and teach them knowledge required for urban life. The goal is to make it easier for rural laborers to find non-agricultural jobs and for migrant workers to improve their life in cities. Another important policy designed to reduce poverty among migrant workers is social security for migrant workers. The 5th session of 16th CPC Central Committee, which was held in October 2005, pointed out in its report that during the 11th Five-year Plan the government would make efforts to deal with the issue of social security for migrant workers in cities. A recent document issued by the State Council specifically focusing on migrant workers reiterated the significance of this issue.

However, it is important to point out that the number of migrant workers has now reached almost 120 million, and in this context government investment in addressing these problems is actually very small when considered on a per capita basis. For example, only 35 million, or about 10 percent of almost 300 million "redundant" rural laborers,¹⁶ can directly benefit from the Sunshine Project, and each migrant worker can receive a subsidy of only around 150 yuan (about 20 USD), less than a quarter of most migrant workers' monthly income. Furthermore, few concrete policies or measures have so far been taken to provide comprehensive social security for migrant workers. Premier Wen's *Government Work Report*, released in March 2006, stressed that a specific social security system for migrant workers should be seriously considered but it is clear that there is a long way to go in solving migrant workers' problems and reducing their poverty.

Fortunately, however, many initiatives have been taken at the local level (of the county, prefecture, or province) to address specific problems regarding migrant workers. Some of these have significant policy implications and can be taken into consideration in future policymaking.

Local Initiatives

In the course of their research and fieldwork, the authors have identified two kinds of local initiative, network building and integrated rural-urban development, which can effectively contribute to poverty reduction among migrant workers, and increase the potential for remittances to play a positive role. These two initiatives are found in the pilot sites of the project of "Together With Migrants," jointly organized by the CASS and the Beijing

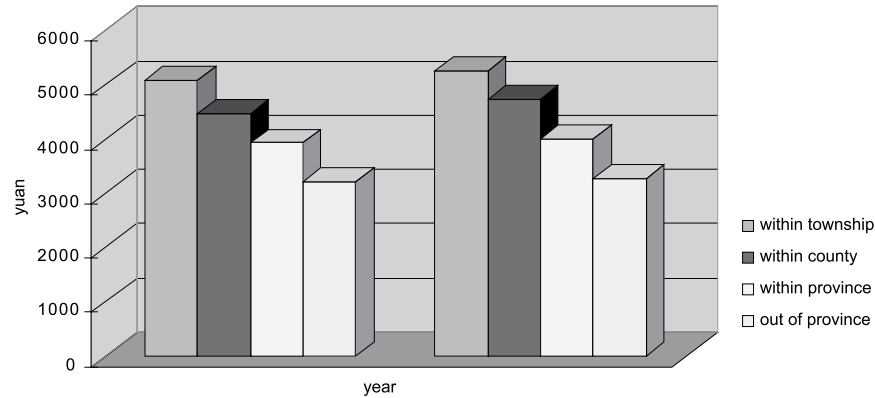
¹⁶ This refers to rural laborers who must be transferred to non-agricultural sectors, but not including those employed in Town and Village Enterprises (about 100 million).

office of UNESCO (Huang 2004; Huang and Zhan 2005a; Zhan 2005a; Zhan 2005b).

Network building refers to i) building and enhancing social networks among migrant workers in order to prevent the social exclusion they encounter in cities, and promote mechanisms of mutual support and experience/knowledge sharing; ii) building networks of cooperation between sending and receiving places in order to provide an effective institutional framework for labor migration. The idea of network building sees the migrant workers as actors who are able to solve their own problems if provided with an enabling environment. For example, the authors found in the pilot sites that strong social networks made it easier for migrant workers to get assistance with housing, job information, etc., which helped to improve their living conditions and reduce the risks and uncertainties they face in cities.

Integrated rural–urban development can be defined as a type of development strategy in which rural and urban development rely on and reinforce one another. As far as migrant workers' remittances are concerned, this approach to development indicates that remittances can promote rural development while at the same time migrant workers secure a better life in urban areas. One example of this kind of development is when rural labor migration within the township, county or prefecture makes it possible for migrant workers to assume much lower social and economic costs (Huang and Zhan 2005a), partly because they can integrate more easily into the local society of destination, and also because the cost of living in these urban areas is lower than in large cities. Interestingly, statistics also show that migrant workers who work closer to their home villages or townships send more remittances back (see Figure 4). Of course this type of development strategy requires that there are employment opportunities in nearby areas for migrant workers, and means that it is important for local governments to create more job opportunities in counties or prefectures. After the migrant workers are employed and remittances are sent back, they can also be used to stimulate development in these urban areas. As a result, a positive, dynamic, and balanced rural–urban development can be generated.

Figure 4. Per Capita Temittance in Terms of Destination: 1999-2000



Source: NBS & MOLSS 2001.

5. Conclusions

Undoubtedly, as many studies have indicated, migrant workers’ remittances play a positive role in the development of their area of origin. In China, the huge flow of remittances has had a positive impact on rural development by narrowing the rural–urban income gap and regional disparity, reducing rural poverty, paying for basic education and health care, and, to a certain extent, promoting consumption and investment. However, the scale of remittances is also in itself a reflection of the remarkable gap between rural and urban areas in China, and particularly between central and western regions and the coast. After reform and opening up, pro-urban and pro-eastern policies have widened this gap, increased the burden of rural households, and worsened the already difficult situation in rural areas. As a consequence, remittances sent by migrant workers have had to be used to pay for public services, such as basic education and health care and even to pay agricultural taxes and fees. This is not an effective or rational use of these funds. Meanwhile, lagging rural development has also prevented rural households from using remittances for socio-economic activities that promote future development.

Policy shifts at the central level have improved this situation somewhat. However, the so-called “Three Rural Problems” have deep historical roots and cannot easily be solved. Many structural and institutional constraints, such as the problem of rural finance, still hamper rural development. As a result it is necessary to reflect upon the role of government in rural development in China. It is not enough (nor is it a sustainable policy) for government merely to increase expenditures or reduce the burdens of rural households that result from the structural constraints facing China

(population pressure, limited resources, the shortage of employment opportunities, uneven development, etc.). More importantly and realistically, government at different levels must explore new initiatives or improve existing institutional arrangements in terms of rural economy, basic education, health care, and strategies for local development and poverty reduction among migrant workers.

Poverty among migrant workers, which is neglected by many researchers, can be seen as the negative outcome of remittances, and also one of the challenges to both rural and urban development in the future. In recent years, the Chinese central government has initiated many positive policies such as training programs and social security, but poverty reduction among migrant workers still faces many challenges. As our research has shown, local initiatives can be of significant importance in this respect and should be seriously considered in future policymaking.

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Impacts of Internal Migration on Economic Growth and Urban Development in China

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1. Introduction

The massive population flow from rural to urban areas in post-reform China is the result of both institutional and structural changes caused by economic growth. In the planned economy, China had a household registration system (*hukou* system) which was designed to control population migration and labor mobility between rural and urban areas as well as across regions. The issuing of Regulations on Household Registration of the People's Republic of China in 1958 marked the beginning of the formal establishment of the *hukou* system. Public security bureaus controlled place-to-place migration, and it was almost impossible to move from a rural to an urban area without authorized plans or official agreement. Departments of labor and personnel administration controlled the transfer of labor across economic sectors and there was no free labor market at all.

The *hukou* system was designed to promote the development of heavy industry, a high priority at the time, and to speed up industrialization generally. In order to accumulate capital for investment, the system kept the rural labor force in agricultural sectors. It also limited the number of people who had access to low-priced food, guaranteed non-agricultural employment, and subsidized urban housing social benefits, such as basic social security and subsidized public services (education, health care, transportation, and so on).

Since market-oriented reforms were instituted, controls over labor mobility have been gradually relaxed. The introduction of the Household Responsibility System (HRS) in the early 1980s allowed farmers to earn income based on effort, thus solving the long-standing incentive problem associated with the egalitarian compensation of the commune system (Meng 2000). At the same time, the price paid by the state for agricultural products was raised, stimulating an increase in agricultural productivity and releasing surplus laborers from agriculture. The higher returns to labor in non-agricultural sectors also motivated farmers to migrate out of

agriculture (Cook 1999), producing an increasing pressure to reform the *hukou* system. As the result of labor mobility from agricultural to non-agricultural sectors and from rural to urban areas, labor markets began to develop.

The gradual abolition of institutional obstacles has been the key to increased labor mobility since the 1980s. Observing the diminishing capacity of rural sectors to absorb surplus labor, in 1983 the government began allowing farmers to transport and market their products beyond the local market – the first time in several decades that Chinese farmers had the legal right to do business outside their hometowns. In 1984, regulations were further relaxed, and farmers were encouraged by the state to work in nearby small towns where emerging Town and Village Enterprises (TVEs) were seeking labor. Another major policy reform took place in 1988, when the central government allowed farmers to work in enterprises and run their own businesses in cities, provided that they were self-sufficient in staple foods.

In the early 1990s, the central and local governments adopted various measures to encourage labor mobility between rural and urban areas and across regions, further relaxing the *hukou* system. For example, some cities issued blue-stamp *hukou* identification to those who migrated to the cities and paid a certain amount of money, invested in local business, or bought an expensive house. Despite the reluctance of some larger cities to implement these new regulations, the central government did legitimize *hukou* reform as part of its efforts to develop a market economy.

This reform was retrenched in the late 1990s when cities like Beijing, Shanghai, and Wuhan enacted employment protection policies and made hundreds of industries and positions available only to laid-off and unemployed urban workers; rural migrants could not apply. However, a new round of economic growth and export expansion created more job opportunities, even causing a local shortage of rural migrants in coastal areas since 2003 (Wang et al. 2005). This has provided a looser employment environment in which cities can further deepen *hukou* system reform.

The gradual reform of the *hukou* system since the beginning of the twenty-first century can be characterized as a bottom-up process – that is, a relaxation of *hukou* control beginning with small towns and gradually extending to mid-sized and large cities. The *hukou* reform in over 20,000 small towns has been characterized as “requiring minimum conditions and complete opening-up.” After years of experimentation in some regions, in 2001 the Ministry of Public Security (MPS) initiated reform of the *hukou*

system in small towns. In most cases, the minimum requirements for obtaining a local *hukou* were a stable source of income and a fixed place of residence in the locality. This was considered the most significant step in the *hukou* reform since the system was put into place in 1958.

The relaxation of *hukou* in some midsized cities (and even some large cities and provincial capitals) has been characterized as “abolishing quotas and conditional entry.” Criteria for settling in those cities with *hukou* status have been substantially lowered. Shijiazhuang, the capital of Hebei Province, is the city with the easiest conditions, and it requires people to have a work contract with a term of more than two years. Cities implementing the reform include those in both coastal and inland regions. This approach to reforming the *hukou* system meets the needs of maturing labor markets and employs a strategy of gradualism.

The new *hukou* policy in mega-cities like Beijing and Shanghai is characterized as “raising the bar and opening the gate.” Those cities have given a green light to intellectuals and professionals seeking to move there but have imposed stricter conditions for ordinary migrant workers. In short, raising the bar means narrowing the door by imposing stricter standards. Compared to other cities, *hukou* reform in those cities has not made much progress.

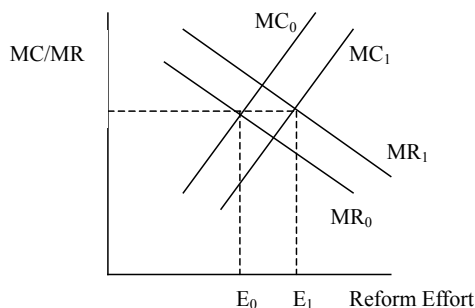
From the above three patterns of *hukou* system reform, it is evident that cities and towns promote reform for two reasons. First, in many smaller cities, an urban *hukou* is of less value now. Governments do not promise job opportunities or welfare on the basis of a person’s *hukou*, so the increase in urban population will not aggravate the financial burden on the local government. Second, local economies have experienced or long for the benefits that an influx of labor can bring in terms of the reallocation of resources.

But these conditions do not apply in large cities that have resisted reform. Their *hukou* status is still valuable. Governments are obliged to ensure that residents benefit from re-employment services, all-around medical care provision, a nice urban environment, lower grades for entrance to universities, and other advantages. Though aware of the advantages an influx of labor can bring in terms of reallocating resources, they give priority to maintaining low unemployment and social stability. They therefore have little motivation to push ahead with the reform.

As indicated in Figure 1, the motivation and effort governments put into reform are affected by the expected net marginal benefit (the marginal

revenue (MR) minus the marginal cost (MC)) obtained by reforming the *hukou* system. The balance between marginal costs and revenue determines what kind of measures can be launched and how much effort is put into carrying them out. Usually, further enforcement of reform measures leads the marginal cost of reform to rise as opposition from vested interests increases, and the marginal revenue to fall as people who initially benefited from reform withdraw their support as the benefits decrease. Effort is likely to stop at the equilibrium point where the MC and MR curves intersect (Point E_0 , Figure 1). Different markets will reach equilibrium at different points, but comparing the timing of reform across different areas, we see that the more developed the market is, the higher the marginal revenue and the lower the marginal cost will be. In other words, more developed markets need, and are able, to pursue deeper reforms.

Figure 1. Costs and Benefits of *Hukou* System Reform



The primary motivation for urban development is usually the reduction in costs made possible by economies of scale. But planned and market economies have two distinct development models. Cities with market systems develop by self-financing: They can reduce transaction costs by aggregation and expand through efficient investment. Cities with planned economies, on the other hand, tend to develop by redistribution. As a result, cities at different stages of market development have different motivations and intentions in pursuing reform and different ways of going about it. They also see different results. Naturally, cities with redistributive policies in place tend to resist reform and restrict migration, while those cities that increasingly rely on self-financing as the market grows prefer a free flow of labor.

2. Migration and Economic Growth

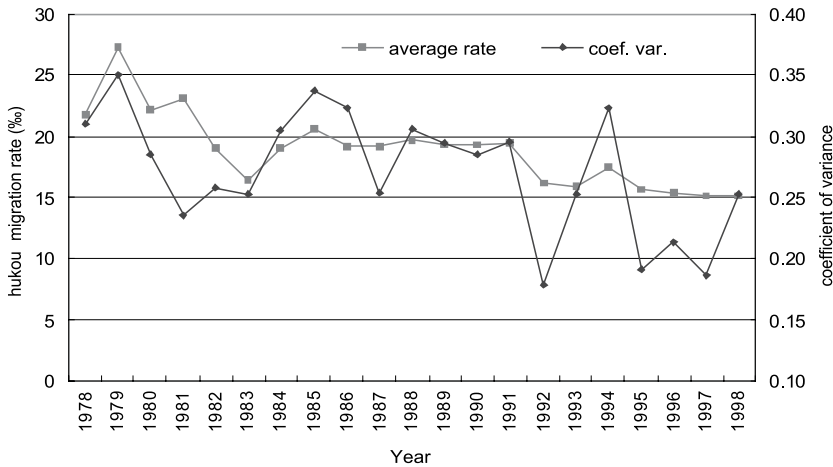
2.1 Migration Types and Magnitude of Migrants

Estimates of the number of migrants in China vary because people use different definitions of migration that relate to length of stay, the geographic boundary crossed (township or county), and official status (with or without *hukou*). The three major categories are:

- (1) planned *hukou* migrants;
- (2) permanent migration with or without *hukou* change;
- (3) the “floating” rural labor force.

Migration with a change of *hukou* is planned migration approved annually by the Ministry of Public Security and it reflects officially recognized population reallocation. The number of migrants who change their *hukou* has been slightly declining during the reform period, from the annual rate of twenty-two per thousand in 1978 to fifteen per thousand in 1998. Over the same period, the difference in planned migration rates across regions has become smaller, indicating that the policy is being implemented more uniformly in each region (see Figure 2).

Figure 2. *Hukou* Migration Rate and Its Variation Across Region, 1978-98



Source: Yao, Xinwu, and Yin Hua (ed.), *Basic Data of China's Population*, China Population Publishing House, 1994; China's Population Statistic Data by County and Municipality.

Before reform, the annual quota of planned migrants was mainly determined by consideration of fluctuations in grain production, with the government approving more migration when agricultural products were in plentiful supply. Since reform, the government has been more sensitive to unemployment, and has been more inclined to approve *hukou* transfers when there are more job opportunities. (Cai et al. 2001). The number of planned migrants in 2003 was 17.26 million, 1.37 percent of the total population (MPS 2003).

According to the 2000 census, between 1995 and 2000, 144 million people changed their place of residence (township, town and community), regardless of whether they changed their *hukou*. The 1 percent population sample survey in 2005 showed 147 million internal migrants in that same category – an increase of 3 million. As planned migrants account for only a small percentage of this number, it is clear that the majority are informal rural–urban migrants.

Table 1 Numbers, Growth Rates, and Spatial Distribution of Rural Migrants

Year	Total migrants		Of which: Inter-provincial	
	Numbers (million)	Increases (%)	Numbers (million)	Increases (%)
1997	38.90	-	14.88	-
1998	49.36	26.89	18.72	25.81
1999	52.04	5.43	21.15	12.98
2000	61.34	17.89	28.24	33.52
2001	78.49	27.96	36.81	30.35
2002	83.99	7.01	38.97	5.87
2003	98.31	17.05	40.31	3.44
2004	102.60	4.5	42.99	6.65

Note: Migrants before 2000 refer to those who migrated between townships, towns (*zhen*), and communities (*jiedao*), and stayed at their destinations for three months or longer. Migrants in 2000 refer to those who migrated between townships, towns (*zhen*), and communities (*jiedao*), and stayed at their destinations for six months or longer.

Sources: Department of Training and Employment of Ministry of Labor and Social Security and Rural Social and Economic Survey Team of National Bureau of Statistics, “The Employment and Flow of Rural Labourers in China 1999”; Liu Jianjing, *Rural Labour Employment and Transition, in China Employment Report 2003-2004*, China Labour and Social Security Press 2004.

Estimates of the number of rural migrants without urban *hukou* status can be found in various sample surveys conducted by the Ministry of Agriculture (MOA), the National Bureau of Statistics (NBS), and other government agencies. According the MOA, the number of rural migrants soared from 2 million in 1982 to 103 million in 2004. The NBS estimate also shows

an upward trend since the late 1990s but with annual fluctuations. Long-distance inter-provincial migration accounts for nearly half the total number. Long-distance migrants currently occupy 52.6 percent of all jobs in the wholesale and retail trades and catering services, 57.6 percent in the secondary sector, 68.2 percent in manufacturing, and 79.8 percent in construction (CIIC 2004).

2.2 Spatial Patterns of Migration

Since 1990, income disparities and the gap in development between the eastern, central, and western regions of China have widened. As a result, in 2004, Beijing, Tianjin, Hebei, Shanghai, Jiangsu, Zhejiang, Fujian, and Guangdong accounted for 82.7 percent of the value of China's exports and 45.2 percent of all jobs in manufacturing. At the same time, markets became more important forces in allocating capital and labor. Benefiting from the early opening of their economies, these coastal regions took the lead in eliminating the institutional obstacles preventing the factors of production – including labor – from moving across regions. As a result, these now-booming areas attracted massive flows of labor, which in turn has stimulated economic growth in these regions and improved the efficiency of labor allocation (Cai, et al., 2002). By summarizing data from the 1987 and 1995 population sample surveys and the 1990 and 2000 national censuses, Table 2 shows the changes in spatial patterns of migration. The share of intra-provincial migration has been higher than that of inter-provincial migration but when we consider inter-provincial migration, it is clear that the eastern region is the prime destination for migrants.

From Table 2, we can see that in 2000, 64.4 percent of the internal migrants in the eastern region stayed within the region, while 84.3 percent of interprovincial migrants from the central region and 68.3 percent from the western region moved east. Over the time period in question, the share of inter-provincial migration within the eastern region increased by nearly 15 percent, and the share of migration from central and western to eastern regions increased by nearly 24 percent.

Table 2 Regional Distribution of Inter-provincial Migrants (%)

Destination	Origin			
	East	Central	West	National
East				
1987	49.7	61.7	44.2	52.0
1990	56.0	59.0	49.3	54.6
1995	63.5	71.8	56.5	63.1
2000	64.4	84.3	68.3	75.0
Central				
1987	31.3	21.8	21.2	24.6
1990	28.4	23.5	20.4	24.0
1995	20.5	12.7	13.4	18.8
2000	19.7	7.1	7.9	9.8
West				
1987	18.9	16.6	34.6	23.3
1990	15.6	17.5	30.3	21.4
1995	16.1	15.5	30.2	18.1
2000	15.9	8.6	23.9	15.3

Note: (1) Migrants in 1987 refer to those who migrated between cities, towns, and counties and stayed at their destinations for six months or longer; migrants in 1990 refer to those who migrated between cities and counties and stayed at their destinations for one year or longer; migrants in 1995 refer to those who migrated between counties, districts and counties and stayed at their destinations for six months or longer; and migrants in 2000 refer to those who migrated between townships, towns (*Zhen*), and communities (*Jiedao*), and stayed at their destinations for six months or longer. (2) Although the statistical criteria of migration timing and space units are different in various years, the results in Table 1 can be used as a reference to compare changes in migration directions.

Sources: National Bureau of Statistics, *Tabulation on the 1987 1 Percent Sampling Population Survey of China*, Beijing: China Statistic Publishing House (1988). National Bureau of Statistics, *Tabulation on the 1995 1 Percent Sampling Population Survey of China*, Beijing: China Statistic Publishing House (1997). National Bureau of Statistics, *Tabulation on the 1990 Census of the People's Republic of China*, Beijing: China Statistic Publishing House (1993). National Bureau of Statistics, *Tabulation on the 2000 Census of the People's Republic of China*, Beijing: China Statistic Publishing House (2002).

Rural-to-urban migration comprises the bulk of all migration, accounting for 40.7 percent, while urban-to-urban migration is in second, accounting for 37.2 percent of all migration in 2000. These are the two main forms of migration in China during the transitional period. Rural-to-rural migration accounted for 18.2 percent of all migration, and urban-to-rural migration only 4 percent. The proportion of urban-to-urban migration increased over time, whereas the proportion of rural-to-urban migration declined.

Statistics on rural-to-urban migration in recent years demonstrate that rural migrants are concentrated in the eastern region. The share of rural migrants there accounted for 64.3 percent of all migrants in 2000 and went up to 70.0 percent in 2004 (See Table 3). Most came from central and

western provinces with large populations such as Anhui, Jiangxi, Hubei, and Sichuan, where rural migrants account for more than 30 percent of the total rural labor force. In 2004, the number of rural migrants from Henan and Sichuan provinces was over 10 million. Analyzed by size of destination city, 62.4 percent of rural migrants chose to work in medium- and large-sized cities. Among them, 9.6 percent work in municipalities directly under the Central Government, 18.5 percent in provincial capitals, and 34.3 percent in prefectures. Less than 40 percent of rural migrants chose to work in county seats and townships.

Table 3. Regional Distribution of Rural Migrants (%)

Origin	Destination					
	2003			2004		
	East	Central	West	East	Central	West
National	68.0	14.7	17.1	70.0	14.2	15.6
East	96.3	2.4	0.9	96.6	2.1	0.8
Central	64.0	33.9	1.8	65.2	32.8	1.8
West	37.0	2.9	60.0	41.0	2.9	55.8

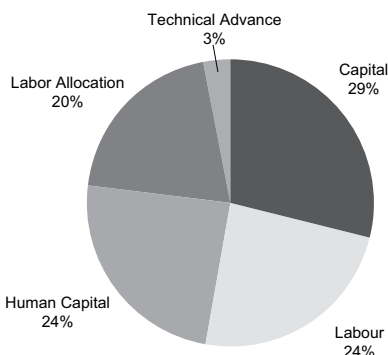
Source: National Statistical Bureau, *China Rural Household Survey Yearbook*, China Statistics Press.

2.3 The Contribution of Labor Mobility to Economic Growth and Income Inequality

Internal migration and labor mobility in China are not only part of the transformation from a predominantly agricultural economy to an industrial one, a common phenomenon in developing countries, but also part of a unique economic transition from a planned economy to a market economy. As such they have been important factors in China’s rapid economic growth during the reform era.

The World Bank (1996) has estimated that the reallocation of labor from agricultural to non-agricultural sectors contributed 16 percent to China’s economic growth from 1978 to 1995. Other research has found a similar or larger impact. Lees (1997) estimated the contribution of labor mobility at around 16.3 percent, and Cai and Wang (1999), following the same method as the World Bank, found that labor mobility contributed 20.2 percent of GDP growth from 1978 to 1997. Cai and Wang also found that the accumulation of human capital played a vital role in China’s economic growth. Overall, the combination of labor input, human capital accumulation, and labor reallocation has contributed to nearly 70 percent of GDP growth since the reforms began.

Figure 3. Sources of China's Economic Growth in 1978-1997



Source: Cai, Fang, and Wang Dewen, "The Sustainability of China's Economic Growth and the Contribution of Labor." *Journal of Economic Research*, No. 10 1999.

This pattern will continue. Johnson (1999) has argued that transfers across labor sectors over the next three decades could contribute as much as two or three percentage points to China's annual economic growth if the barriers to migration are gradually lifted, and if rural and urban wages are nearly equalized for individuals with similar levels of human capital. A conservative estimate (Taylor and Martin 1998) suggests that the share of agricultural employment will decrease by 3.1 percentage points with each 10 percent growth of GNP, if China follows a similar pattern of migration from agricultural to non-agricultural sectors as other developing countries. Rapid urbanization in the next twenty years will release a huge number of rural laborers from agriculture and from rural areas. The transformation and decline of agricultural employment, and the reallocation of labor it generates, will have a profound impact on the rural economy and on economic development as a whole.

In a recent study, the World Bank (2005) divided the Chinese economy into four sectors – agriculture, urban industry, urban services and rural non-agriculture – and investigated their impact on economic growth by simulating the reallocation of labor from the low-productivity agricultural sectors to high-productivity sectors. This analysis found that, despite becoming more integrated over the reform period, China's labor market is still significantly fragmented across regions and across sectors. This fragmentation is reinforced by the remains of the *hukou* system, by limited access for migrants to social services, and the highly uneven quality of public services. If China takes measures to abolish the segregation of goods and factors markets, including labor, the gains from market integration could be huge.

Table 4. Estimated Contribution of the Transfer of Agricultural Labor to GDP Growth (%)

Share of labor transfer	1%	5%	10%
Changes in GDP from moving labor out of agriculture	0.7%	3.3%	6.4%
Changes in GDP from moving labor out of Rural to Urban areas	0.5%	2.5%	5.0%
East	0.3%	1.6%	3.1%
Central	0.6%	2.9%	5.7%
West	0.9%	4.2%	8.2%
Northeast	0.4%	1.8%	3.5%

Source: World Bank, “Integration of National Product and Factor Markets: Economic Benefits and Policy Recommendations,” Report No. 31973-CHA 2005.

Using 2001 as a baseline (Table 4), the simulation showed that moving 1 percent of the labor force out of the agricultural sector would lead to a .7 percent growth in GDP from labor reallocation. If 10 percent of the labor force moved out of the agricultural sector, GDP would grow by 6.4 percent. Because of the difference in the marginal productivity of labor across sectors and regions, policy simulations also show that facilitating labor-market mobility and integration not only improves economic efficiency but also enhances equity. For example, the gains from the reallocation of labor are much higher in the western and central regions than in the eastern and northeastern regions. With a 10 percent movement of labor, GDP in the western and central regions would grow by 8.2 and 5.7 percent, compared to 3.5 and 3.1 percent for the northeast and eastern regions, respectively.

According to neoclassical economic theory, increased labor mobility and rural–urban migration should narrow regional and rural–urban disparities, but in fact an opposite effect has been observed since the 1990s. Cai and Wang (2003) incorporated the variable of marketization into a gravity model and found that market-oriented reform has created an institutional environment that favours labor mobility and influences the direction of rural to urban migration. Using a similar method, Lin et al. (2004) also found that migration has become more responsive to regional disparities.¹ The fact that increasing mobility has not reduced income inequality is mainly due to the unfinished reform of the *hukou* system and to other factors that continue to enlarge regional disparity. Whalley and Zhang (2004) introduced the *hukou* system into a simple CGE (Computable General Equilibrium model) model and found that when restrictions on

¹ The elasticity of migration to income disparity rose from 0.197 during the 1985 to 1990 period to 0.595 during the 1995 to 2000 period.

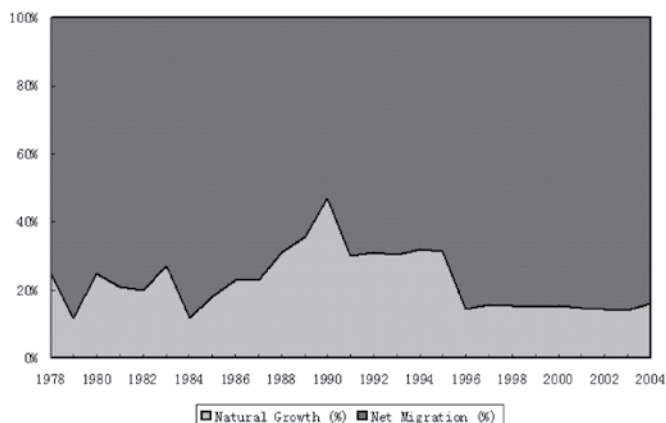
migration are removed, all wage and most income inequality disappears. Zhai and Wang (2003) used a complex CGE model that links macro sectors with micro household-level data to simulate the effect of labor mobility on the narrowing of the rural–urban gap. Although their estimate is lower than that presented by Whalley and Zhang, the effects are still very significant.

3. Migration as a Driving Force of Urbanization

Population migration is an important factor in the process of urbanization and economic development. Prior to reform and opening-up, however, the pace of urbanization in China was stagnant and even decreased during the ten years of the Cultural Revolution (see Figure 4). The relative decline of the urban share of the total population can be attributed to two factors. One is that the enforcement of the *hukou* system placed tight restrictions on rural–urban migration. The other is that the natural growth rate of the rural population was much higher than that of the urban population.

Since reform and opening-up, the pace of urbanization in China has picked up dramatically. From 1978 to 2004, the urban share of the total population increased from 17.9 percent to 41.8 percent, with an average annual growth rate of 0.92 percentage points. During the same time period, the average growth rate of the urban population was 4.4 percent, significantly higher than the natural growth rate of the total population, which dropped from 1.2 to 0.59 percent.

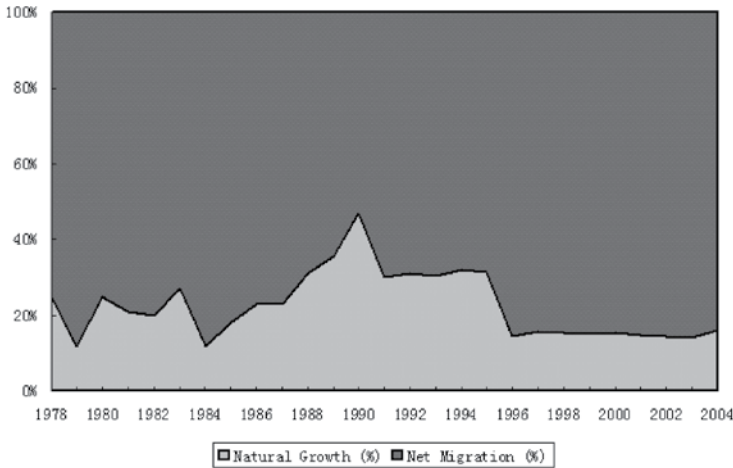
Figure 4. China's Urban Population Growth and Urbanization: 1957-2004



Source: National Bureau of Statistics, *China Statistical Yearbook* (1990, 2005), Beijing: China Statistics Press, 2005.

Generally speaking, urban population growth comes from three sources: natural growth in the urban population, rural–urban migration, and changes in spatial jurisdiction. According to a study conducted by Todaro (1984) of twenty-nine developing countries, migration and changes in spatial jurisdiction accounted for 41.4 percent of urban population growth from 1960 to 1979. Assuming that the growth in the urban population comes from a combination of natural population growth and net rural–urban migration, we can calculate the contribution of migration to urban growth in China. We use the size of the urban population in 1977 as the baseline and break out the annual increase in the urban population into the natural population growth and net growth resulting from migration from 1978 to 1999, and from 2000 to 2004.² Figure 5 shows that rural–urban net migration accounted for nearly 70 percent of urban growth in 1980s and more than 80 percent of urban growth in the 1990s, indicating that migration is becoming the most important factor in urbanization.

Figure 5. The Contribution of Migration to Urban Population Growth: 1978-2004



Source: National Bureau of Statistics, *China Statistical Yearbook*, Beijing: China Statistics Press, 2001, 2005. Yao, Xinwu, and Yin Hua (eds.), *Basic Data of China's Population*, China Population Publishing House, 1994.

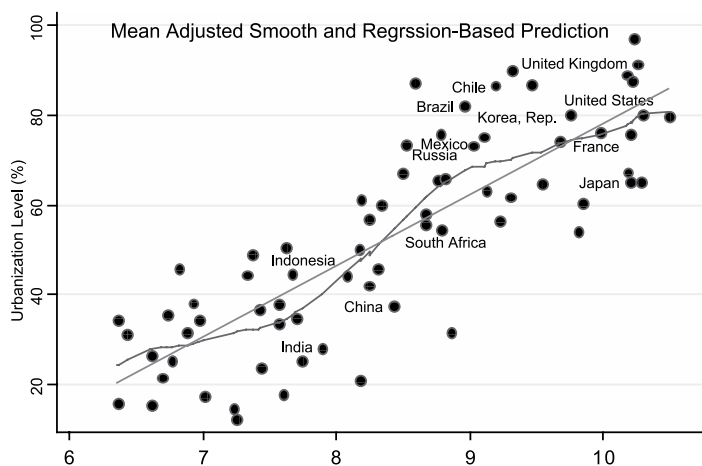
The acceleration of urbanization in China since reform is a remedy for the longstanding lag in development and structural distortions in the economy. Under the planned economy, the formation of cities in China emerged in a different way from those in market economies. Chinese cities were designed as special zones that would support the economic strategy of giving priority to the development of heavy industry. Although economic reform dismantled the traditional planning system, the dual economy and

² The information of natural growth rates of urban population is unavailable from 2000 to 2004.

urban-biased policies persisted, preventing urbanization from occurring alongside industrialization. The artificial separation between rural and urban areas deprived rural migrants of the choice of permanently settling in urban areas and led to the unique situation of under-urbanization in China.

Au and Henderson (2002) have used a production-function method to model and estimate urban agglomeration and optimal city size for 206 cities in China. They found that the constraints of the *hukou* system on labor mobility have resulted in sub-optimal size and under-agglomeration in Chinese cities, leading to significant losses in economic welfare. The majority of Chinese cities are potentially undersized (falling below the lower bound on the 95 percent confidence interval of the size where their output per worker would peak). Estimates show that increasing a city that is 50 percent below its optimal size to its efficient population level will raise output per worker by about 40 percent, indicating that the net benefits of clustering and agglomeration are considerable (World Bank 2005). Based on 2002 World Bank data on 71 countries with a population of over 50 million, Figure 6 illustrates how dramatically China's level of urbanization deviates from the predicted level.³

Figure 6. Economic Growth and Urbanization



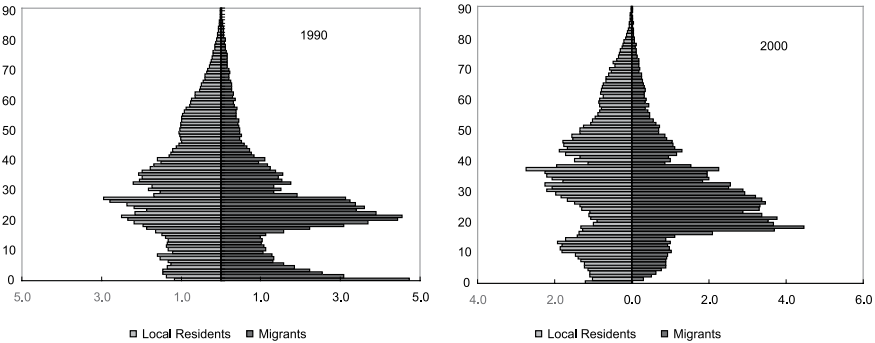
Source: World Bank, WDI Online Database, <http://devdata.worldbank.org/dataonline/>.

³ The Chenery-Syrquin structuralist method (1975) regresses the share of urban population on logged per capita GDP (PPP) and its squares and produces a linear trend of prediction. The non-parametric mean adjusted smooth method shows an S-shaped curve relationship between urbanization and changes in income level. Both methods illustrate a similar dramatic change in the spatial distribution of population with the growth of per capita income.

In addition to increasing urbanization, migration affects the structure of the urban population. Migration not only brings demographic change with regard to age, gender, education level, and so on. It also reduces the dependency-ratio of the urban population. Both these factors have cumulative and aggregate implications for the development of the urban economy.

Migration is selective. A number of studies have shown that rural migrant workers are primarily youths with an average education level higher than those who choose not to migrate. Because of the restrictions of the *hukou* system, few migrants move with their families. This selectivity strongly affects the age structure of the urban population. As shown in Figure 7, in the late 1980s, when small numbers of rural migrants began to move to urban areas, they had little impact on the age structure of the urban population. With fast-growing rural–urban migration in 1990s, however, the impact of migration on the age structure of the urban population became very significant. In Figure 7, the pyramid illustrates the age distribution of local urban residents on the left and migrants on the right. In 2000, migrants reduced the urban dependency ratio by 2.5 percentage points and the aging population ratio by 0.8 percentage points by adding to the number of those between 13 and 33 years old.

Figure 7: The Impact of Migration on Urban Population Age Structure



Note: Micro-data from the National Bureau of Statistics was used to adjust the duration of migration and geographic boundary in order to produce a consistent comparison.

Source: National Bureau of Statistics, 1 percent sample of the 1990 Census of the People’s Republic of China and 1 percent sample of the Long Form data of the 2000 Census of the People’s Republic of China, Beijing.

4. Labor Market Segregation and Social Exclusion

Despite the clear benefits of rural–urban migration for economic growth and urban development, significant problems remain. Many of these are related to the continued segregation of labor markets and unfinished *hukou*

reform. Under the *hukou* system, China’s urban labor market has been segregated into two components with distinctively different operating mechanisms. The market that serves state-owned enterprises gives a high level of protection to local workers. With restrictive entry and weak withdrawal mechanisms, this market is not competitive, and salary levels do not reflect the demand for and supply of labor. The institutional wage is stable and highly secure, but incentives are lacking, and labor is more costly and less competitive – all factors that promote an equalitarian income distribution.

The labor market that serves the various non-state-owned and self-employed sectors is open, without explicit *hukou* requirements. In this market, wages reflect labor market demand and supply. Employment opportunities are primarily created outside the traditional system and can be characterized as flexible, inexpensive, and more competitive, but there is also little protection of workers’ legal rights.

The highly segregated labor market not only hampers the mobility of urban workers but also constrains the mobility of rural migrants. Except for a very small number of opportunities, such as “rural–urban *hukou* transfers” and enrolment in universities, it is very difficult for rural residents to find formal employment in urban areas. Most of them can only find jobs that are temporary, physically demanding, and that offer low protection – jobs similar to those available in the large informal sectors in other developing countries. Due to the *hukou* system, local residents and rural migrants are treated completely differently in the urban labor market (See Table 5).

Table 5. Comparison of Formal Employment and Informal Employment

Characteristics	Formal Employment	Informal Employment
Household registration type	Non-agricultural and local	Agricultural and non-local
Urban residency status	Full legal status	Illegal or temporary
Socioeconomic sectors	Mostly state sectors and state-owned enterprises	Small and self-employed enterprises
Occupations	Managerial staff, technicians and skilled workers	Physical labor, self-employed
Employment channel	Determined by planning or formal channels	Based on personal contacts and market information
Work status	Relatively less demanding and stable	Highly demanding and unstable
Entitlement to basic social security and benefits	Full	No or temporary entitlement
Housing	Allocated by work units or self-owned	Low-cost shelters or homeless

In the 1980s and early 1990s, the inflow of rural migrants into urban areas was largely a supplement to the urban labor force. The fast-growing urban economy had generated a massive demand for laborers, resulting in structural shortages of urban workers. This was especially true in sectors such as construction and sanitary services, which have poor working conditions and a high demand for manual labor. In the meantime, the expansion of the tertiary and private sectors also created more opportunities for rural migrants to be employed in the trade and service sectors that support the everyday life of urban residents.

Since the mid-1990s, a large number of workers in state-owned enterprises have been laid off and these unemployed urban workers now compete with migrants in the same labor market. From this perspective, rural migrants have shifted from serving as a supplemental labor force to being competitors with urban workers. This is partly because the wages of rural migrants are determined by the labor market and are therefore very competitive. It is also because the non-state-owned sectors, which were once “supplemental” and relatively small, are now an “important” component of the national economy. Although competition between laid-off SOE workers and migrants is limited to positions that have a relatively low threshold for the entry and employ primarily low-skilled workers, it has posed a threat to those with a vested interest in urban employment protection policies and has generated opposition to *hukou* reform from urban workers.

4.1 Barriers to Entering Industry

While reform has created opportunities for rural migrants to move from their home villages and find work in the growing new sectors of the urban economy, the more traditional sectors responsible for creating labor segregation continue to maintain it, and have imposed barriers for migrants wanting to access a variety of jobs and public services. As a result, migrant workers can only take up employment characterized by poor working conditions, low pay, and little job security. Because of the incompleteness of the urban social service system reform, outside workers are excluded from receiving necessary housing, medical care, and children’s educational benefits at reasonable prices. Furthermore, migrants without a local *hukou* are often deported by urban authorities simply because they are outsiders and therefore seen as potential causes of instability and crime. All these factors prevent migration in China today from being complete and permanent and they result in rural–urban migration having some unique features: migrants have a relatively low standard of living compared to their real incomes, they remain economically and culturally separated from urban society, and migration continues to be an individual rather than a family phenomenon.

The institutional barriers faced by urban migrant workers stem directly from a variety of local government policies and regulations. Unlike the administrative measures that traditionally restricted migration, these institutional barriers deter migration by increasing its costs. Typically, to be legally eligible to move out from their hometown and search for a job in the urban sector, migrant workers are required to have various permits and documents issued by the governments of both sending and receiving locations. By levying a fee on each of these documents, the government artificially raises the costs of migration. Governments in many large and medium-sized cities have also issued regulations prohibiting enterprises from hiring migrants for certain jobs and posts, a trend that distorts the costs of using migrant labor. At a time when there is enormous employment pressure in cities and large-scale layoffs in SOEs, the influx of rural migrant labor is viewed as only adding to urban unemployment. Urban governments have therefore implemented a series of measures more strictly restricting migrants who work in the city and preventing new migrants from moving in (see Cai et al. 2001).

Table 6 Employment of Local and Migrant Workers by Industry (%)

Industry	(1)	(2)	(3)	(4)	(5)
Mining and Quarrying	2.91	1.08	2.82	No	-888
Manufacturing	34.82	47.04	30.68	Yes	-369
Electricity, Gas and Water	1.73	0.52	2.29	No	3596
Construction	7.66	9.12	5.64	Yes	-537
Geological Prospecting & Water Conservancy	0.37	0.11	0.47	No	385
Transport, Storage and Telecommunication	7.30	3.75	7.98	No	2965
Trade and Catering Service	18.91	24.15	19.45	Yes	-2017
Finance and Insurance	1.60	0.50	2.18	No	3973
Real Estate	0.66	0.49	0.9	No	3346
Social Service	6.02	7.26	6.41	Yes	1181
Health, Sports and Welfare	2.96	1.05	3.64	No	1627
Education, Culture and Art	7.13	2.46	7.32	No	19
Sciences and Polytechnic Service	0.59	0.12	0.89	No	4169
Governments and Social Organization	6.61	1.99	8.4	No	773
Others	0.71	0.37	0.94	No	2000
Total	100	100	100	-	-

Note: Column (1): Distribution of urban workers by industry (including migrants and locals); Column (2): Distribution of migrant workers by industry; Column (3): Distribution of local workers; Column (4): Whether migrants are higher percentage of certain industry than all urban workers; Column (5): Difference between average wage of an industry and that of the weighted total (9,205 Yuan).

Source: Information about employment distribution comes from the sampling dataset of the 2000 census (long form); data on wages is from *China Labour Statistic Yearbook 2001*.

Discriminatory policies restricting labor mobility, which are legitimized by the *hukou* system, divide the urban labor market into two separate parts. As a result, migrant workers working in urban sectors are limited to certain industries while local workers are employed in a much wider range of occupations (Table 6). Using a nonlinear probability model to analyze 2000 Census data, Wang et al. (2004) and Zhang (2004) have shown that the existence of the *hukou* system makes migrant workers much less likely to enter urban monopoly and non-competitive sectors.

4.2 Occupational Segregation and wage difference

In the urban labor market, migrant workers generally cannot obtain employment in “regular departments” such as government offices and state-owned enterprises. They can only enter non-state-owned or non-regular departments for unskilled labor. According to China’s Urban Labor Survey (CULS) conducted by the Institute of Population and Labor Economics of the Chinese Academy of Social Sciences, more than half of all migrant workers were self-employed in 2001, nearly 30 percent of them working for non-public sectors. Very few held administrative, managerial, professional, and technical positions.

Even when they are employed in the same kind of work, migrant workers are paid less and enjoy fewer benefits than their urban counterparts. Meng and Zhang (2001) used a wage function equation to analyze the factors behind the wage gap between rural migrant workers and local urban workers. A large part of the gap cannot be explained by factors related to productivity, suggesting that there is severe discrimination against rural workers in urban labor markets. According to CULS, the average hourly pay is RMB ¥4.05 for migrant workers and ¥5.70 for local urban workers. In all job categories, the average hourly pay for migrant workers is lower than for their local urban counterparts. Forty-three percent of the wage difference between them can be attributed to discrimination (Wang and Cai 2005) caused largely by the *hukou* system and a set of other related welfare and benefit systems. Sixty-three percent of the wage difference between migrant workers and urban resident workers is caused by different occupational distributions. Compared with urban residents, migrant workers are generally engaged in those jobs that are low paying, dirty, tedious, physically demanding, or hazardous to their health.

But although migrant workers earn less than urban residents they are not contributing to urban poverty. This goes against conventional wisdom in the literature. Ravallion (2001) has pointed out that the growth of urban poverty in developing countries generally outpaces the speed of urbanization itself,

because of the rapid migration of the rural poor to urban areas. According to data from thirty-nine developing countries, the urbanization rate of the poor is 26 percent faster than that of the overall population. If this momentum persists, when the global level of urbanization reaches 52 percent in 2020, the number of poor as a percentage of the total urban population will have risen to 40 percent.

Despite this prediction, rural–urban migration in China has not yet had much of a negative impact on urban poverty rates. And at the same time, rural migrant workers have contributed substantially to the alleviation of rural poverty through remittances. Because they are mobile and migrate in order to find work, the unemployment rate of rural migrant workers is very low. If treated as part of the urban population, rural migrant workers will therefore actually lower the urban poverty rate.

4.3 Exclusion from Social Welfare Coverage

Despite the potential benefits of migration, the *hukou* system has not yet been completely reformed and it remains a fundamental barrier to the integration of migrant workers (Roberts 2000). After comparing Chinese restrictions on rural–urban migrants with the stringent policy measures adopted by Germany and Japan in order to limit immigration from other countries, Solinger (1999) has argued that in terms of entry rules, citizenship rights, and treatment, the former is more restrictive than the latter.

Migrant workers have few channels for expressing their interests and protecting their rights. The present system for electing representatives to the National People's Congress has, in real terms, resulted in the loss of migrant workers' rights to vote and to stand for election because of its stipulation that "outsiders" cannot participate in local politics and administration. Generally speaking, trade unions, workers' representative conferences, labor supervisory committees and other kinds of labor organizations are important channels for workers to express their opinions, wishes, and aspirations. Yet, according to CULS 2001, 78 percent of the migrant workers say their work units have none of these organizations, compared to 22 percent of urban resident workers.

According to CULS 2001, only 29 percent of the migrant workers had signed a contract with their work units or employers, much lower than the 53 percent for urban resident workers. This is a clear violation of the Labor Law and an encroachment on the legal rights and interests of the employees. In addition, the lack of contracts makes it more difficult to settle labor disputes between employees and employers. In recent years,

there has been growing concern about employers defaulting on and even pocketing a portion of their workers' pay. Many migrant workers from rural areas work in harsh conditions all the year round only to find that they cannot get paid. According to findings in CULS, among all work units that employ migrant workers, the default ratio is 12.02 percent, higher than the 8.59 percent for those that employ only urban residents.

Table 7. Comparison of Social Insurance Coverage between Urban Resident and Migrants (%)

	Urban Residents			Migrants		
City Size	Large cities	Large cities	Small cities	Large cities	Large cities	Small cities
Year	2001	2005	2005	2001	2005	2005
Pension Insurance	69.2	76.9	76.7	6.7	8.8	13.3
Unemployment Insurance	-	33.8	45.0	-	2.4	7.7
Health Insurance	67.6	63.9	72.4	7.7	7.5	14.3

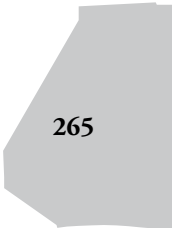
Source: 2001 and 2005 China Urban Labor Survey in five large cities including Shanghai, Wuhan, Shenyang, Fujian, and Xian, and 5 smaller cities in surrounding areas.

According to CULS, in all work units with migrant workers, only 6.7 to 13.3 percent of workers are provided with old-age social security benefits, while 69.2 to 79.7 percent of their urban counterparts enjoy this security; only 2.4 to 7.7 percent of migrant workers are provided with medical insurance compared to 33.8 to 45.0 percent for urban resident workers; and only 7.7 to 14.3 percent of migrant workers have medical insurance compared to 63.9 to 72.4 percent for urban resident workers (see Table 7). Small cities are now more open to providing social insurance for rural migrants while large cities pay more attention to the provision of social insurance for urban local residents. The following table shows that a little progress has been made in absorbing rural migrants into the formal urban social security system, but the coverage gap between urban local residents and rural migrants remains large.

Table 8. Higher Costs of Education for Migrant Children

	4 large cities (2001)	4 large cities (2005)	5 small cities (2005)
Mean yearly tuition of migrant children attending school in urban areas (RMB)	1356	1782	1572
Estimated city tuition with hukou (RMB)	829	1304	1064
Percentage difference in means	52.6	26.8	32.3
Median percentage difference	52	33	25
% respondents reporting that city tuition is higher than city tuition with a local hukou	81.9%	75.1%	58.1%

Source: 2001, 2005 Chinese Urban Labor Survey.



Migrant workers have hardly any opportunity to receive formal education after entering the city. The only and probably the most feasible way of enhancing their human capital and work-related skills is through on-the-job training. Many work units, however, do not provide such an opportunity for migrant workers. The situation for the education of their children is also a matter of grave concern. The CULS survey shows that the share of migrants who send their children to schools in local urban areas rose from 52 percent in 2001 to 62 percent in 2005, but most migrants have to pay extra fees. Tuition fees differed by more than 50 percent between students with and without local *hukou* in 2001, declining to around 30 percent in 2005. The difference in the cost of education is similar in large and small cities alike (See Table 8).

In addition to low social security coverage for rural migrant workers, many landless or land-lost farmers have inadequate access to social security. Known as the “three-no farmers” (no land, no job, and no social security), they have been marginalized in the process of urban expansion in China. According to statistics from the Ministry of Land and Resources, 33 million square mu of arable land was requisitioned for non-agricultural construction from 1987 to 2001, of which 70 percent was taken over by local governments through administrative means. At present, China has about forty million landless or land-lost farmers, with another two million added every year (Zhang 2004).

The maximum compensation package for land requisition is capped at ¥18,000 in some areas, which is only 1.5 times the annual disposable income of urban residents in 2002. At the average rural consumption level, this amount can maintain someone for seven years; at the average urban consumption level, it would last for only two years. Even if the money is deposited directly into the farmer’s personal social security account, assuming an average current age of 50 and a life expectancy of 72.6, those farmers can only get ¥60 per month after retirement, much less than the prevailing minimum living standard of ¥180 per month and the average urban pension of ¥500 per month (Gao 2004). In this situation, without a social security safety net, landless or land-lost farmers are likely to fall into urban poverty, and be unable to sustain a livelihood in the long run.

5. Concluding Remarks

Reform of the *hukou* system is essential for labor mobility and hence for urbanization. In the past two decades, labor mobility has led to a significant reallocation of labor in rural and urban areas, contributing to overall growth and urbanization. But the strength and depth of reform differs from region

to region. The *hukou* system, which has persisted for forty-four years, is being gradually reformed as overall economic reform progresses and it is expected to undergo further adjustment as the market system matures.

In the long run, rural–urban migrants will be the main source of labor for industry in China, helping to maintain its low-cost advantage. The implementation of a family planning program and the effects of socioeconomic growth have combined to alter China’s demographic trends and change the age structure of the population. China will reach its population peak of 1.44 billion in 2030. The increase in the working-age population will slow down by 2011 and will begin to decrease by 2021. In fact, the growth rate of the working-age population has already been decreasing in recent years (Cai 2005b). As a result of this demographic transition, if labor transfers from rural areas to urban areas fail to speed up in the next decade or so, there will be a labor shortage in China’s urban sectors that would cause a slowdown in economic growth.

Having set the specific development goal of building up a well-off (*xiaokang*) society, China’s per capita GDP is planned to reach USD3,000 in 2020. At that time, China will join the middle-income group of countries in terms of purchasing power parity. Among countries in this group, the rural population averages 23 percent of the total and China is expected to follow the same pattern and transfer hundreds of thousands of rural residents to urban areas. This transfer will play a significant role in China’s economic growth in the next ten to twenty years. Therefore, further reform should be implemented to abolish the various institutional obstacles that hinder the development of labor markets and labor migration, including better social security coverage, which would in turn cultivate the conditions for further *hukou* system reform.

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International Migration and Development: The Case of China¹

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1. Introduction

The reciprocal relationship between international migration and development has long been a topic of research for students of international migration. On the one hand, the issue of how development affects international migration has been rather well established (Hatton and Williamson 1998; Massey 1988). On the other hand, the question of how international migration influences development in migrant-sending communities is still hotly debated. For a long time, the field seems to have been dominated by a sense of pessimism as reflected in studies which find that remittances are mainly used in consumption, with very limited investment in production, and that remittances create a cycle of dependency that hinders development of the migrant-sending community. Taylor et al. (1996b) sum it up by stating, "Prior investigators have also generally concluded that emigration undermines the prospects of economic growth" (397). Much of this line of research was based on studies using the case of Mexican migration to the United States. The debate began to shift in recent years mostly as the result of work conducted by scholars such as Edward Taylor and Douglas Massey and his associates. Through careful studies based on both Mexico and the United States, these scholars painted a rather positive picture of the impact of international migration on migrant-sending communities.

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In this chapter, we join this debate by using data from a recent ethnosurvey of international migrants from China's Fujian Province to the United States. We focus on the issue of remittances such as money sent back by migrants abroad and how they are used. First, the remittances issue is important because of its recognized magnitude. In 2002, the International Organization for Migration reported the total amount of remittances reached US\$88 billion. During the same time period, the amount of official assistance to these developing countries was only half of that amount: \$44 billion (IOM website, accessed 14 October 2005). United Nations Secretary General Kofi Annan reported \$232 billion for 2005 (Annan 2006). In migrant-sending communities in China, the size of the remittances is especially striking. According to the Bank of China, in a single migrant-sending region, Changle, with a population of 670,000 in 2000, the total amount of remittances received in 2003 was \$460 million (Wang 2004). This amount does not include money brought back by international migrants on their trips back to China. Such a large amount of remittances is likely to produce powerful direct or indirect impacts on the local economy.

Second, the case of China is also important from a comparative perspective. Much of the recent literature on international migration and development has focused on other countries. China presents an important case for comparison. China has a long history of emigration, not only to North America, but also to Europe and Southeast Asian countries. Thus, the issue of international migration and development can be examined in a long historical perspective. More recently, China's transition to a market-oriented economy has given rise to another boom of international migration during the last two decades or so. Among all migrant-sending provinces in China, Fujian stands out as the most important migrant-sending province (Liang 2001; Liang and Morooka 2004). Although a casual observation of migrant communities in Fujian would give visitors the impression that the biggest change in migrant communities is the newly built mansions, the impact of emigration on these migrant-sending communities goes much beyond housing. In this paper, we use newly collected household and community-level data to undertake a systematic study of how emigration affects migrant-sending communities in Fujian. Following recent work in this area, we begin with analysis of the flow of remittances and examine the determinants of whether migrants remit and amount of remittances. Given the importance of understanding how remittances are used, we are particularly interested in how individual, household, and community factors influence the decision to use remittances for different purposes: (1) business, (2) education and public projects, and (3) housing.

2. Background

The recent rise in international migration throughout the world has rekindled researchers' interest in how international migration affects migrant-sending communities. However, earlier literature in this area presents a very pessimistic view of how migration affects development. For example, after Durand, Parrado, and Massey (1996) reviewed thirty-seven community studies, they stated that researchers were "remarkably unanimous in condemning international migration as a palliative that improves the material well-being of particular families but does not lead to sustained economic growth within sending communities" (424). As a significant departure from earlier studies of this relationship, recent scholarship has presented a more positive picture of how migration affected development in migrant-sending communities. The theoretical foundation of this new line of research rests on the new economics of labor migration (Stark 1991). There are two main insights from the economics of labor migration, as succinctly stated by Taylor (1999): "(1) migration decisions are part of family strategies to raise income, obtain funds to invest in new activities, and insure against income and production risks; and (2) remittances, or in some cases simply the potential for remittances, consequently set in motion a development dynamic by loosening production and investment constraints faced by households in poor developing countries" (64).

One of the most important insights from this line of reasoning is that remittances have indirect effects on the local economy (Taylor et al. 1996b; Taylor 1999). Scholars on both sides of the debate agree that a substantial portion of remittances has been used in consumption in either the construction of new houses, home improvement, or supporting family members' living. However, consumption by migrant household members generates demand for garments (clothes, shoes, etc.), appliances (televisions, washing machines, electric fans, and air conditioners), restaurants, and karaoke bars for entertainment. New home construction financed by remittances generates the biggest indirect effect. Moreover, spending on housing generates demand for lumber, bricks, pipes, and other house-related materials and tools. In a series of articles, Taylor and his associates (1996a; 1996b) have tried to measure precisely the indirect impact of remittances. For example, at the village level, Adelman, Taylor, and Vogel (1988) found that for migrant-dollar raised the village income by \$1.78 and increased its output by \$1.88. Although unit change in output may seem small, we should note the magnitude of remittances in many parts of the world.

Perhaps the most important indirect effect of remittances in the Chinese context is a demand for house-building supplies. In all migrant-sending communities in Fujian Province, it is common to build three- or four-story houses and spend 800,000 or 1 million RMB (1US\$=8.11 RMB Yuan) on a house. Consequently, such a building boom generates demand for products from locally based brick and cement factories, and shops that specialize in construction and home improvement as well as re-modelling materials. In Changle, for example, there are several streets where a variety of building supply shops are concentrated. This process, of course, generates local employment opportunities and generally increases local household income.

Aside from the examination of indirect effects of remittances on the local economy, recent researchers have also studied determinants of remittances and how they were used. Using data from the Mexican Migration Project, Durand et al. (1996) carefully examined the remittance behavior among Mexican migrants to the United States. They examined individual and household-level variables relating to the decision to remit. Remittance behavior depends on migrants' life-cycle stages: age, marital status, and dependency ratio. The dependency ratio measures the consumption needs of the household. Thus, high consumption needs in households in migrant-sending communities would lead to high amounts of remittances. In addition to general consumption needs in migrant-sending households, we also pay attention to the location of children, specifically whether they are in the U.S. or in China. The rationale is simple: Presence of left-behind children in China will lead to a high likelihood of remittances.

We also expect that the characteristics of migration affect remittances behavior. In the case of migrants from Fujian Province, the migration process involves smuggling fees as high as \$65,000. In some cases, the costs of migration were paid in the U.S. In other cases, the cost of migration is paid by family members through borrowing interest-bearing loans. We expect that the higher the costs of migration, the more likely it is that migrants will send remittances. Given the fact that many of our study subjects do not have legal status in the United States, we want to explore whether legal status affects remittance patterns. We expect that migrants with permanent-resident status would be less likely to remit than migrants without a green card.

Given the availability of community-level data for Fujian, we are especially interested in how community-level conditions affect the use of remittances. Several community-level variables have been identified by previous researchers as being important in channelling the productive use

of remittances: self-employment, a high degree of female participation in manufacturing, local infrastructure, and an agrarian-based economy.

Aside from following the current literature on using individual, household, and community-level variables to predict remittance behavior, we need to note that our approach in dealing with remittances differs from the existing literature in two important ways. First, most of the existing studies tend to focus narrowly on a dichotomy: production vs. consumption (for example, housing). This may be appropriate in other countries such as Mexico, but it is not the best strategy for studying the Chinese case. In the Chinese case, some remittances are certainly used in business initiatives and housing, but a significant amount of remittances is used in supporting local education/schools and public projects. Support for education may come in the form of scholarships, building particular buildings (such as libraries), or equipment for schools. In some cases, emigrants from the same community often donate money to build local roads. Emigrants also donate money to build senior citizen centers. It is also common for emigrants to donate money to build a stone sculpture at the entrance to the village, and often the names of the donors are inscribed on the stone. In December 2004, the senior author visited a village in a migrant-sending township in Fujian Province, and the most impressive building in the village was a newly built entertainment theater (or auditorium), which cost about ¥4.7 million to build. All of the money for building this theater came from donations by the Fujianese migrants in the United States, most of whom reside in the New York metropolitan area. The theater has over 400 seats with a central air-conditioning system, and this is something very uncommon for a building in rural China. The villagers are very proud of this building, and they post names of the most important donors on a bulletin board outside.

All of these initiatives, in our view, ought to be considered as “productive investment” rather than consumption. We are certainly not the first to realize that the concept of development itself needs to be broadly defined; in fact, Taylor (1999) clearly alluded to this. Donations to educational institutions for scholarships or funds directed to a particular building help improve the educational infrastructure and creates a positive environment for teaching and learning, ultimately helping to educate the village’s future workforce. By the same token, building a road, a village-entrance sculpture, or a public theater can be viewed as investment strategies to promote social well-being for the current and future generations.

In addition, we want to emphasize that this strategy for the use of remittances appears to go much beyond the villages that we have studied. In fact, this notion of supporting education and public infrastructure had been in the

minds of many earlier migrants. An emphasis on the value of education was embedded in traditional Chinese culture, which was dominated by Confucian thought and emigrants' investment in educational infrastructure reflects this.

The second innovation of our paper is that we have more detailed information on remittances than earlier studies. Most studies report remittances during the most recent migration trip (Durand et al. 1996), but we have data both on remittances in the previous year and remittances over the course of migration (i.e., cumulative remittances).² We note that the cumulative amount of remittances is the result of money sent over different years, and because of inflation and fluctuation in the exchange rate, the measure is admittedly not entirely accurate. Still, we believe it is useful in calculating the overall financial picture of a migrant's journey. Furthermore, this strategy allows us to get a sense of the total financial flow from emigrants to the migrant-sending community over the years, which has implications for development potential and the trajectory of the community.

3. The Case of Emigration from Fujian, China

Fujian Province is located on the southeastern coast of China, across the Taiwan Strait (see Map 1). The 2000 Chinese population census shows that Fujian had a population of 34 million (NBS 2002). Fujian has a long legacy of emigration, especially to Southeast Asian countries. However, the recent wave of emigration did not start until the mid-1980s. We focus on Fujian Province for our empirical studies for several reasons. First, emigration from Fujian Province has increased significantly, and it has actually become the top international migrant-sending province in China (Liang 2001). Much of this emigration is clandestine in nature and is difficult to study through national surveys or census. The journeys of Fujian migrants also caught the attention of the mass media across the globe. Some of these trips ended in tragedy (such as the ill-fated Golden Venture trip in 1993 and the death of 58 migrants in Dover, England in 2000). As recently as 2005, Fujianese migrants were caught in the conflict in Iraq and were taken as hostages by mistake and subsequently released (Wong 2005; World Journal 2005). But sensational media stories are not the same as systematic analysis and clearly more thorough systematic social science analysis of the causes and consequences of emigration from Fujian is needed.

² Durand et al. (1996) did use cumulative remittances in their models. However, their cumulative remittances were derived from the respondent's report on average remittances on the most recent trip (trip duration in months times average remittance, see p.257). In our case, we asked the total cumulative remittance directly in the survey.

Given the size of recent emigration, what are the consequences for the migrant-sending communities in China? Many scholars in China have written about the impact of emigration on the development of the local economy in China, and much of this line of work was carried out by Chinese historians and anthropologists who tend to rely on aggregate data and statistics. Our approach is to move the discussion to the individual and household level, and to model the decision-making process using recently collected data both at individual, household, and community levels.

4. Data and Methods

This project is modeled on the success of the Mexican Migration Project (MMP) and the Latin American Migration Project (LAMP) directed by Douglas Massey and Jorge Durand. From February to June 2002, we designed three questionnaires to be used in the ethnosurvey: the household questionnaire used in China, the household questionnaire used in the United States, and the community-level questionnaire for migrant-sending communities in China. We used the questionnaires for MMP and LAMP as a model and naturally modified the questionnaires to take into account the Chinese context. The household-level questionnaire contains basic information on socio-demographic characteristics of each member of the household (including those who are abroad), and basic information on the internal and international migration history for all household members. In light of the importance of religion in immigrant lives (Guest 2003), we include information on religion for each person. Unlike the case of Mexico, we also include question items on cadre status (ever been a cadre and year of that position) in order to test our hypothesis from the market transition theory. For household heads and spouses, we gathered marriage history, fertility history, labor history, and consumption patterns. At the household level, we have information on remittances in the year of the survey, and cumulative remittances, business formation, land ownership and other property ownership, housing conditions, and tenure status.

Our community questionnaire (at the village level) covers a wide spectrum of information: demographic background (population figures for major census years, immigration history), agriculture sown, industrial infrastructure, educational infrastructure, public services, financial infrastructure, transportation infrastructure, and medical infrastructure.

After some modifications, we finalized the questionnaires in early July 2002. Within eastern Fujian Province, we decided to survey three major regions: the Mafu district (suburban district of Fuzhou city), Changxiao City, and Tujiang County (all fictional names). All three regions send large

numbers of migrants to the United States, particularly the New York City region. For each of the three regions, we selected two towns/townships, and for each town/township we interviewed about 200 households. In choosing these particular towns for our survey, we first interviewed people from some of the major Fujianese immigrant organizations in New York City.³ The idea was to find out what towns Fujianese immigrants in New York came from. Our design seeks to maximize the possibility that we can find enough immigrants who are from these towns in Fujian Province. Response rate was on average around 85 percent. The survey team conducted the survey from October 2002 to March 2003. This sample in Fujian Province is supplemented by a non-random sample of immigrants. For each of the six towns, we interviewed about thirty to forty immigrants in New York City who are from one of these towns. Our sample size of immigrants in the destination communities is larger than that of Massey and Durand's Mexican Migration Project. The main reason is that in the Chinese case, return migration is much more difficult than in the case of Mexico. In other words, our sample will contain a small number of actual immigrants if we follow the exact sampling strategy as used by Massey and his collaborators.⁴ The fieldwork in New York City was conducted in the summer months of June through August 2003.

Our analytic strategy in this paper follows closely the approach taken by Durand et al. (1996). Since we are interested in remittances, we select only households that have at least one member who went abroad. We begin with analysis of the decision to remit or not to remit, taking into consideration the individual, household, and community-level characteristics. Then, we examine the determinants of the amount of remittances, followed by estimating a series of logistic regression models of how remittances are used: business, education and public projects, housing, and others. Our strategy differs from Durand et al. (1996) in one aspect, namely that Durand et al. (1996) estimated the bivariate model of remittances and those who returned with savings. This makes sense in the Mexican migration context because a good number of Mexican migrants returned to Mexico. However, in the Chinese case, very few migrants actually returned at all, let alone with savings. Thus, we leave the choice of "returned with savings" out of the picture in our case.

³ It is usually the case that towns that send a lot of immigrants to the United States often establish their town-based hometown association once the number of immigrants reaches a certain level of threshold.

⁴ For samples at destinations, Massey and his colleagues select about 10 percent of the corresponding community samples (Massey et al. 1994).

5. Remittances: An Overview

Table 1 (see appendix) presents information on remittances aggregated at the village level. The first column lists the name of each community/village, followed by the number of households sampled. Our targeted sample size for each village is about fifty to sixty households. In some cases, we did more, and in other cases we did less. For villages with a sample size less than twenty, we decided not to collect village-level information. The third and fourth columns list the proportion among emigrants who sent money last year and those who ever sent money. In most cases, over 90 percent of emigrants sent money back home. This is in sharp contrast to the Mexican case, in which the proportion that sent money back was about 73 percent for the community samples (Massey and Parrado 1994). We suggest that this difference between the cases of China and Mexico might be due to the high cost of smuggling fees in the Chinese case. Payment of such high fees usually involves borrowing money with repayment over a period of time. In the Mexican case, since the coyote fees are a lot less costly, they can usually be settled as a one-time payment. The lowest proportion remitting in our case was found in two communities where slightly over 70 percent of migrants remitted.

The last two columns show the total amount of remittances for the last twelve months and the cumulative amount of remittances over the course of migration. The total amount of remittances in the twelve months prior to the survey was \$11.6 million, and the total amount of remittances over the course of migration was \$75.6 million. This final amount is about 607 million Yuan, an amazing amount of financial resources for these primarily rural communities. However, this high level of remittances should be placed in the context of emigration from these communities. Most of these migrants paid high smuggling fees to come to the United States. As Table 2 indicates, the average emigration cost is about \$33,768, and the average cumulative amount of remittances is about \$52,617. Thus, even if we take into account the high costs of migration, the average net amount of remittances per immigrant is still around \$19,000.

Duration of stay in the host country has been shown to be an important variable in migrant behaviors in many previous studies. We examine duration of stay in relation to an amount of remittances in the year prior to the survey and a cumulative amount of remittances over the course of migration. In Figure 1 and Figure 2, we show how remittances are related to the duration of residence in the host country. Figure 1 shows how an amount of remittances in the year prior to the survey varies by the duration of stay. The figure shows that within the first four years, the amount of

remittances tends to rise and reach its peak in year two. The main financial burden for these immigrants in these years is that they have to make sure the cost of migration is paid off. After seven years of stay in the host country, the amount of remittances declines from \$8,000 to \$9,000 per year to about \$6,000 per year, and eventually to \$4,000 per year. The spike for the last group of immigrants probably reflects the fact that there are a small number of immigrants who have spent more than twenty-one years in the United States.

Figure 1: Average Amount of Remittances in Previous Year by Duration of Stay

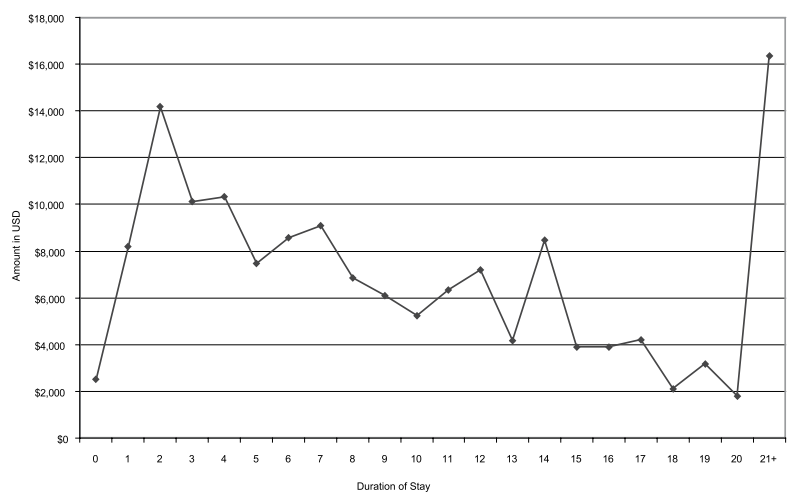


Figure 2: Cumulative Amount of Remittances by Duration of Stay

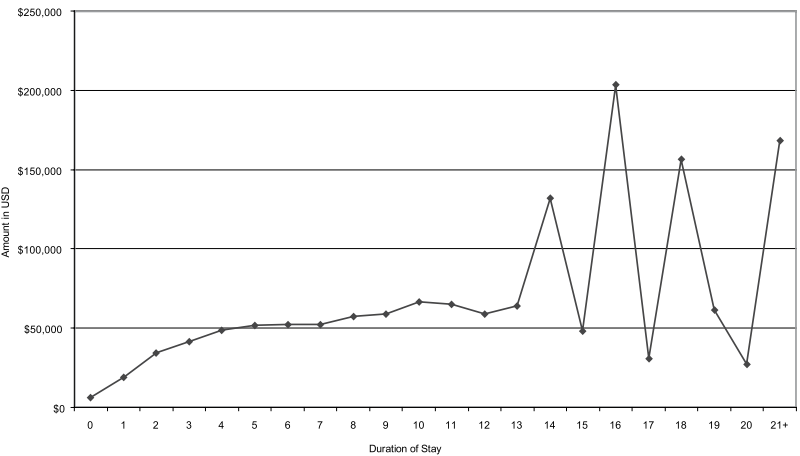


Figure 2 shows the cumulative amount of remittances by duration of stay in the U.S. It reveals a very clear pattern of a steady increase up to fourteen years. The big fluctuation after fourteen years is somewhat difficult to

interpret. Some of it may be caused by perhaps a new business initiative that involves a lot of investment, and it is also possible that the results are not very stable because of the small number of cases in these categories.

6. Who Remitted?

Table 2 also compares the characteristics of emigrants who remitted and those who did not. In calculating these numbers, we take into account the fact that there are households that contain more than one emigrant abroad. Since our survey question surrounds the total amount of remittances each household received, we should consider using information on the characteristics of all emigrants from the same household. Thus, in cases where there are more than one emigrant in the household, we use averaged characteristics (e.g., averaged years of schooling) to approximate the characteristics of all migrants abroad. We note that a very small number of immigrants, sixty, have never remitted.

A comparison of socio-demographic profiles of emigrants who remitted (and didn't remit) suggests that among those who remitted, 78 percent of them are married (compared to 67 percent for people who did not remit) and the people who remitted seem to have more years of schooling than the people who did not. Likewise, the people who own homes in China are also more likely to remit than otherwise. In trying to understand why some people did not remit, our initial hypothesis was that perhaps some people simply have not spent enough time abroad. That is clearly not the case here. Surprisingly, the average duration of stay abroad is roughly the same for the emigrants who remitted and the emigrants who did not. Emigrants who did not remit seem to have paid less money for smuggling fees than the emigrants who did remit, suggesting the possibility that part of the purpose of remittances was to pay debt due to cost of migration.

We also compare community-level characteristics for emigrants who remit and emigrants who did not. The results are consistent with our expectations. Emigrants who remitted are more likely to come from communities with a higher proportion of women in industry. Likewise, village infrastructure also seems to be very important. The shorter the distance from the community to a national highway, the more likely emigrants are to remit. The similar finding is revealed for whether there is a Bank of China branch, which handles foreign currency transactions.

7. How the Money was Spent

Table 3 (see appendix) shows descriptive findings of how the remittances were spent. Essentially, during the survey we gave respondents nine choices to indicate if the remittances were used for any of these purposes. These categories are not mutually exclusive. In other words, respondents who checked “yes” for “paying for family living” can also check “yes” for “supporting local education or public projects.”

In general, the top four reasons for the spending of remittances were: paying for family living (84.3 percent said “yes”), paying debt (44 percent), supporting elderly (37.3 percent), and spending on the house (26.7 percent). This is consistent with other studies that documented a general pattern of consumption for remittances. However, we should not overlook the fact that 11.4 percent of respondents reported that remittances were used in supporting local education and other public projects. This finding is significant because the more years that immigrants spend in the United States, the greater the propensity to support local education and public projects. By the tenth year of duration in the United States, 17 percent of the respondents reported that they sent remittances for the purpose of supporting local education and public projects.

There are also other patterns of the use of remittances that vary over time. The proportion that reported making remittances for paying for family living and supporting the elderly all increased over time. One of the things that has received a lot of media attention is the fact that a large number of Fujianese immigrants send their young children (born in the United States) home to be cared for by relatives for a substantial period of time. Our data are consistent with this story, as 19 percent of respondents reported remittances being used for raising children born in the United States. The use of remittances for supporting U.S.-born children increased by the duration of residence in the United States until after ten years, perhaps a time when immigrants decide to bring their children to the United States for public school education. The proportion of those who reported paying off debt declined gradually. This is in part because immigrants had to pay smuggler fees. They usually borrowed the money (with interest) and paid the money back over a period of time. However, it is surprising that for some immigrant households, even after ten years in the United States, they still have some debt to pay. This indicates that debt is a significant burden for some immigrant households in Fujian.

8. A Decision to Repatriate Money

In Tables 4 and 5 (see appendix), we estimated statistical models of the decision to remit and the amount of remittances in the previous year of the survey. In both cases, we include variables at individual, household, and community levels. In a model that contains only individual and household-level variables, we see that married immigrants are more likely to remit than non-married immigrants. Dependency ratio is statistically significant at the 0.10 level. Characteristics of migration are also important: The longer that immigrants stay in the United States, the more likely they are to remit. It is consistent with our expectation that higher costs of emigration lead to a higher probability of remittances. We have tried different combinations of community-level variables in the model, but the results are not statistically significant.

In Table 5, we model the logged amount of remittances in the previous twelve months prior to the survey. Model 5 in Table 5 includes individual, household, and community-level variables. Only two individual-level variables show significant effects: duration of stay abroad in the United States and emigration cost. As we expected, the higher the emigration cost, the more likely immigrants are to remit. Recently arrived immigrants are more likely than other immigrants to remit large amounts in the last twelve months before the survey. This is mainly because recently arrived immigrants have the large burden of emigration costs (also see Figure 1 on this point). One variable that measures infrastructure (distance to the nearest highway) is important in predicting an amount of remittances: The closer the community to the nearest highway, the larger the amount of remittances in the last twelve months.⁵

In Table 6 through Table 8 (see appendix), we estimate models of how remittances were used to see if they were used for business, local education and public projects, housing, and others. We note at the outset that the proportion of those who report using remittances for business initiatives is very small (2.3 percent), which probably explains the fact that the model does not produce significant results (see Table 6). In Table 7, we present results from models that predict the use of remittances for education and public projects. There are three individual-level factors that should be mentioned. One is the duration of stay in the United States; in other

⁵ We also estimated a Heckman selection equation in which we take into account selection into the group of individuals who remitted when estimating the amount of remittances (Heckman 1979). We used variables that are statistically significant in Table 4 for the selection equation. The selection effect is not statistically significant. These results are available from the authors upon request.

words, the longer that immigrants stay in the United States, the more likely they are to send money for education and public projects. This is a very encouraging item of news, because it shows that the long-term prospects of development due to emigration are very promising even if the current support for education or public projects may be modest, and even if immigrants may decide to stay permanently in the United States. We also note that the use of remittances for education and public projects declines if the cost of emigration is high. In households where the dependency ratio is higher, immigrants are less likely to spend remittances on local education and public projects, probably because the money has to be used to maintain basic household living.

In Table 8, we estimate models of whether remittances were used for housing versus other choices. Again, the duration of stay in the United States is one of the most important predictors. Across all three tables (Tables 6–8), only one community-level variable marginally shows statistical significance at 0.10: agrarian population density (proportion of local population employed in agriculture). The results suggest quite consistently that people in these close-knit rural communities tend to have a strong sense of community identity, such that they are willing to start businesses, contribute to local education and public projects, and build houses using remittances. The case is similar to a recent study by Fussell and Massey (2004), who found that Mexicans from rural areas are more likely to rely on migration networks than Mexicans from urban areas. Our results suggest that rural and urban individuals not only have a different degree of using migration networks, but also differ in remittance patterns.

9. Summary and Conclusion

Since the late 1970s, emigration from China has been on the rise. Fujian Province is currently the most important province in shaping the trend of emigration from China. So far, the main destinations among Fujianese emigrants are the United States, Japan, Taiwan, and Europe. United States is by far the most favorite country of destination. The primary aim of this paper is to provide a systematic assessment of how international migration in roughly the last twenty years has influenced development in Fujian Province. In particular, we focus on remittances and examine how individual, household, and community-level characteristics affect remittance behavior, such as the amount remitted and how remittances are used.

Three main findings from this study are worth noting. One is that the total amount of remittances is especially large, both in terms of the amount of

remittances in the year prior to the survey and the cumulative amount of remittances. For example, the cumulative amount of remittances reached \$75 million from a total of less than 1,500 households in Fujian. The large size of remittances is corroborated by reports from local government officials who monitor remittances wired to local Bank of China branches. Although the absolute size of the remittance is important in itself, what is even more important is the potential indirect effect this will create for the local economy. The most important indirect effect on the local economy is the demand for labor for home construction (mansions, in some cases) and demand for building supplies. This has a ripple effect on local entrepreneurial activities in establishing different kinds of shops (some by emigrant households, others by non-emigrant households, and still others by internal migrants from other provinces).

We also examined how remittances were used. Admittedly, our data do not show a large portion of remittances that was used directly in business activities. However, our fieldwork in Fujian Province suggests that the relatively small proportion of spending on business does not tell the whole story. In talking with emigrants and local officials, we find that some of the emigrant households join forces with other emigrant households to invest in business initiatives outside of the local community. For example, some members from emigrant households, seeing a construction boom for office and residential buildings in Chinese cities, saw a demand for steel. Subsequently, they ended up investing in steel mills in other provinces. There are also households who run brick factories in Zhejiang Province on China's coastal region. Still, there are households who invest in the real estate market in nearby cities such as Fuzhou city. These households may be in small numbers and the direct impact on the local economy may not be significant, but their contribution to the development of China as a whole should not be overlooked.

Third, it should be noted that we went beyond the narrow definition of business activities as the only yardstick of contribution to development to include other possibilities: contribution to local education and public projects. Contributions/donations to educational initiatives have a long tradition in China's migrant-sending communities (*qiao-xiang*) (Huang and Zhang 2003; Lin 1992; Zhuang 2001). Some of the contributions consist of scholarships and equipment such as computers. There are schools built solely by using money from donations by emigrant households (Huang and Zhan, 2003). These educational initiatives help local educational institutions train the future workforce. Other public projects include building local roads/bridges, local temples for worship, and senior citizen centers. A recent report from Fujianese migrant communities in New York

tells a story of immigrants in New York City who are collecting donations to help purchase a fire truck for their hometown villages (Cao 2005). Their plan is to buy the most advanced fire truck in the United States and then donate it to their hometown village. The same story also highlights the new reality of transnational communities in the case of Fujian; lives in Fujian Province and a migrant community in New York City are increasingly connected. Overall, these initiatives help make these migrant-sending communities more attractive places to live, thereby retaining people who might otherwise migrate.

Remittance patterns are clearly constrained by the high cost of migration in the case of Fujianese immigrants. Thus, undocumented migrants remit more (in order to pay off the debt) in general than migrants with a green card. The cost of the migration journey limits the ability for migrants to remit money for productive uses before the debt is paid off. In addition, the location of children also affects remittance patterns. The higher the proportion of children residing in China, the more likely migrants remit.⁶

Prior work suggests that local infrastructure is important in affecting the emigrant's decision to repatriate. We find some support for this. The distance to the nearest highway is an important predictor of remittance behavior (an amount of remittances). We also find that in agricultural-dominated villages, immigrant households are more likely to use the money for business, local education, and public projects than in other types of communities. We suggest that these rural communities tend to have a strong sense of community identity and, therefore, immigrant households are more likely to invest in business, as well as local education and public projects.

To further examine the linkage between international migration and development, we move away from Fujian Province to examine broadly how international migration has affected China's national development. It is well known by now that for the past twenty-five years or so, China has enjoyed the most phenomenal economic growth that the world has ever seen (a consistent growth rate of 9-10 percent). Although factors beneath this economic record are complicated, we argue that the initial investment from overseas Chinese played a crucial role at least in the initial years of China's economic takeoff. In some ways, this is by policy design of the Chinese government. The first four Special Economic Zones in China to attract foreign investment are strategically located in Shenzhen, Zhuhai, Shantou, and Xiamen. The first three of them are in Guangdong Province, and the

⁶ The detailed results are available from the authors on request.

fourth one, Xiamen, is in Fujian Province. Both Guangdong and Fujian are historically the provinces that sent a large number of international migrants to North America, Europe, and Southeast Asian countries. In his 1992 speech, Deng Xiaoping made this point explicitly: “When we set up four Special Economics Zones back then, we took consideration of the geography. Shenzhen is near Hong Kong, Zhuhai is close to Macau, there are lots of people from Shantou who went to Southeast Asian countries, and there are many business people abroad who are from Southern Fujian” (Zhuang 2001: 374). The strategy clearly worked. For the period of 1979 to 1991, foreign investment in China reached \$26.8 billion and overseas Chinese investment accounted for 66 percent of the total foreign investment. The initial investment and success for overseas Chinese created a fundamental confidence for investing in China among international companies, and these over time have helped to sustain a healthy investment psychology in China among all investors, big or small, foreign or domestic.

Finally, what can we say about the policy implications of our study? First, given the enormous potential of indirect effects of remittances on the local economy, it would seem natural for the local government to make it easier for people to borrow money to stimulate local entrepreneurial activities. This is particularly important for households with no migrants abroad who usually do not have enough money to start a business. For emigrant households with the intention of starting new business initiatives either in the local area or other provinces, it would be helpful for the local government to provide support. This can take the form of a special tax policy, which could be more generous initially than China’s general tax law for foreign investment. Workshops on new investment opportunities and assessment of the benefits and risks seem necessary for some emigrants who have been away for many years. This could be done both in the local community when emigrants return and in emigrant-concentrated cities abroad.

The second policy recommendation is an investment in public infrastructure. We are certainly not the first ones who proposed this idea (Taylor et al. 1996), but there is evidence that it has worked in migrant-sending communities in China. Although investments in infrastructure cost money, in the long term they will pay off. The third policy-relevant finding we learn from this paper is that we need to be patient. It takes time for emigration to exert an impact on the migrant-sending community. One needs to look no further than southern Fujian (*min-nan*), the place that sent thousands of emigrants in the late nineteenth and early twentieth centuries. Today, Southern Fujian is one of the most dynamic economic centers in China that specializes in shoes and apparel industries. On a recent trip to China, the senior author went to towns in southern Fujian where shops and business are everywhere

and everyone is doing a business of some sort. Business is booming as Chinese business people with different dialects are making deals with local businessmen. Foreign trade of different scales is likewise on the rise. Trade connections with counties in Middle Eastern countries are especially active because of historical trade traditions and linkages. The question is whether, in the long run, this will be replicated in other parts of migrant-sending communities in Fujian Province. We argue that conditions are very favorable for this to happen at least in Eastern Fujian Province, the location of our current study, because of the large amount of remittances and overall economic climate in China as a whole.

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Appendix

Table 1. Village-Level Remittance Amount (Previous and Cumulative Years)

		Prop. Senders	Prop. Senders	Average		Total	
Village	Emi-grants	Previous Year	Cumu-lative	Previous Year	Cumulative	Previous Year	Cumulative
Mafu							
1	55	0.945	0.982	\$4,986.60	\$42,687.44	\$259,302.96	\$2,347,809.15
2	60	0.983	0.983	\$7,407.86	\$53,116.40	\$437,063.69	\$3,186,984.13
3	54	0.981	0.981	\$6,617.21	\$39,476.98	\$350,712.09	\$2,131,757.13
4	58	0.897	0.914	\$8,992.36	\$41,856.41	\$467,602.56	\$2,427,671.61
5	35	0.971	0.971	\$10,346.64	\$42,301.15	\$351,785.71	\$1,480,540.27
6	37	0.919	0.946	\$11,227.85	\$43,781.14	\$381,746.74	\$1,619,902.08
7	10	1.000	1.000	\$10,339.77	\$43,833.12	\$103,397.69	\$438,331.21
8	45	0.844	0.933	\$10,003.87	\$33,885.83	\$380,147.06	\$1,524,862.18
9	9	0.889	0.889	\$16,150.21	\$61,886.84	\$129,201.68	\$556,981.52
10	11	1.000	1.000	\$7,438.88	\$51,504.16	\$81,827.73	\$566,545.74
11	21	0.905	0.952	\$21,093.23	\$52,839.01	\$400,771.32	\$1,109,619.30
12	8	1.000	1.000	\$7,155.99	\$28,619.10	\$57,247.90	\$228,952.77
13	7	0.857	0.857	\$3,302.33	\$9,753.59	\$19,813.95	\$68,275.15
14	11	1.000	1.000	\$13,404.45	\$56,347.15	\$147,448.99	\$619,818.69
15	3	1.000	1.000	\$15,056.02	\$39,356.61	\$45,168.07	\$118,069.82
16	9	1.000	1.000	\$7,837.28	\$35,986.07	\$70,535.54	\$323,874.63
17	4	0.750	1.000	\$12,955.18	\$98,562.63	\$38,865.55	\$394,250.51
18	8	1.000	1.000	\$17,331.93	\$66,735.11	\$138,655.46	\$533,880.90
Changxiao							
1	21	1.000	1.000	\$5,633.70	\$51,978.36	\$118,307.61	\$1,091,545.61
2	42	0.857	0.952	\$5,001.16	\$34,140.80	\$180,041.66	\$1,433,913.59
3	82	0.902	0.951	\$4,996.68	\$59,623.30	\$369,754.32	\$4,889,110.43
4	44	0.909	0.955	\$5,042.02	\$42,786.85	\$201,680.67	\$1,882,621.48
5	51	0.902	0.980	\$6,281.29	\$43,762.90	\$288,939.40	\$2,231,908.14
6	42	0.905	0.976	\$7,318.04	\$72,567.34	\$278,085.46	\$3,047,828.14
7	40	0.875	0.975	\$15,750.84	\$98,883.61	\$551,279.50	\$3,955,344.46
8	26	0.731	0.769	\$8,157.77	\$47,832.55	\$154,997.70	\$1,243,646.41
9	42	0.857	0.929	\$10,220.59	\$49,468.66	\$367,941.33	\$2,077,683.59
10	17	0.706	0.765	\$10,150.70	\$68,110.98	\$121,808.44	\$1,157,886.65
11	66	0.985	1.000	\$9,102.31	\$58,121.89	\$591,649.85	\$3,836,044.93
12	61	0.918	0.951	\$10,771.84	\$46,874.80	\$603,223.16	\$2,859,363.07
13	64	0.875	0.938	\$9,770.87	\$51,475.55	\$547,168.61	\$3,294,435.01
14	65	0.923	0.969	\$6,320.18	\$48,044.97	\$379,210.99	\$3,122,923.33
15	55	0.891	0.927	\$9,274.48	\$51,944.66	\$454,449.34	\$2,856,956.06
16	57	0.807	0.930	\$16,802.69	\$72,771.89	\$772,923.75	\$4,147,997.67
Tujiang							
1	36	1.000	1.000	\$4,386.29	\$27,965.44	\$157,906.49	\$1,006,756.00
2	32	0.969	1.000	\$8,328.82	\$44,484.35	\$258,193.28	\$1,423,499.16
3	68	0.985	1.000	\$5,101.66	\$49,173.57	\$341,811.14	\$3,343,802.59
4	62	0.935	0.984	\$5,694.00	\$51,048.41	\$330,252.10	\$3,165,001.38
5	48	0.958	1.000	\$7,089.19	\$50,571.35	\$326,102.94	\$2,427,425.03
6	31	0.935	0.968	\$11,056.58	\$46,390.70	\$320,640.76	\$1,438,111.71
Total	1497	0.918	0.960	\$8,426.25	\$50,492.02	\$11,577,663.19	\$75,611,931.23

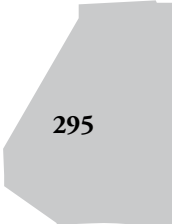


Table 2. Characteristics of Emigrants Who Have Remitted and Who Have Never Remitted

Independent Variables	Remitted	Never Remitted
Socio-Demographic Characteristics		
Average age	33.41	33.62
Married	78.4%	66.7%
Average years of schooling	8.64	6.75
Household Characteristics		
Average dependency ratio	0.15	0.18
Home ownership	93.5%	88.1%
Migration-Economic Characteristics		
Average duration of stay overseas	6.57	6.75
Average emigration cost	\$33,768.84	\$26,631.58
Average previous year remittances	\$8,153.28	---
Average cumulative years' remittances	\$52,617.91	---
Village Economic Context		
Average proportion of females in industry	0.04	0.03
Village Infrastructure		
Average distance to national highway (km)	8.46	10.18
Bank of China branch	23.8%	17.4%
Village Agrarian Context		
Average agrarian population density	318.31	435.88
Average proportion of agrarian land	0.19	0.19
Number of emigrants	1,437	60

Table 3. Spending Patterns of Overseas Remittances by Duration of Stay Overseas

Remittances were spent on:	Overall	Duration of Stay Overseas				
		< 1year	1-2 years	3-5 years	6-9 years	10+ years
Paying for family's living	84.3%	77.2%	66.5%	83.2%	89.0%	89.4%
Paying off emigration cost	43.8%	50.0%	67.0%	55.4%	36.5%	24.0%
Supporting the elderly	37.3%	27.8%	21.4%	32.0%	41.9%	47.7%
Building or purchasing housing	26.7%	16.7%	7.7%	19.1%	33.4%	39.2%
Helping to raise children born overseas but sent back to China	19.6%	11.1%	9.9%	15.9%	26.8%	18.7%
Supporting local education and other public projects	11.4%	5.6%	6.0%	9.7%	11.8%	17.0%
Other purposes	4.7%	5.6%	3.3%	3.7%	5.0%	5.0%
Building ancestry grave	3.6%	0.0%	2.2%	1.8%	4.3%	6.4%
Doing business	2.4%	11.1%	2.2%	2.1%	1.9%	3.2%
Total number of cases	1,436	18	182	435	518	283

Table 4. Logistic Regression Models Predicting whether an Emigrant Has Ever Remitted

Independent Variables	Model 1		Model 2		Model 3		Model 4	
	b	SE	b	SE	b	SE	b	SE
Socio-Demographic Characteristics								
Age	-0.020	0.022	-0.051	0.041	-0.022	0.029	-0.032	0.027
Married	1.135 **	0.375	1.709 *	0.683	1.530 **	0.477	1.466 **	0.490
Years of schooling	-0.015	0.062	0.062	0.106	-0.005	0.082	0.027	0.088
Household Characteristics								
Dependency ratio	-1.665 †	0.902	-1.699	1.565	-2.296 *	1.116	-1.467	1.250
Homeownership	0.711	0.460	0.484	0.821	1.128 *	0.536	0.783	0.674
Migration-Economic Characteristics								
Duration of stay overseas	0.089 *	0.045	0.304 **	0.099	0.057	0.056	0.117 †	0.062
Emigration cost	0.037 **	0.009	0.050 **	0.014	0.047 **	0.012	0.036	0.012
Village Economic Context								
Proportion of females in industry			1.564	3.389				
Village Infrastructure								
Distance to national highway					-0.038	0.026		
Bank of China branch					0.780	0.558		
Village Agrarian Context								
Agrarian population density							-0.045	0.035
Proportion of agrarian land							-0.237	1.077
Intercept	1.070	1.138	-0.009	1.819	0.750	1.450	1.120	1.605
Number of emigrants	1,397		606		889		878	

† $p < 0.10$; * $p < 0.05$; ** $p < 0.01$

Table 5. OLS Regression Models Predicting Remittances Amount in Previous Year

Independent Variables	Model 1		Model 2		Model 3		Model 4		Model 5	
	b	SE	b	SE	b	SE	b	SE	b	SE
Socio-Demographic Characteristics										
Age	0.0001	0.005	0.004	0.008	-0.002	0.006	0.006	0.006	0.002	0.010
Married	-0.087	0.083	-0.135	0.136	-0.093	0.104	-0.046	0.105	-0.220	0.158
Years of schooling	0.010	0.014	-0.007	0.022	0.017	0.017	0.013	0.017	-0.019	0.026
Household Characteristics										
Dependency ratio	-0.364 †	0.191	-0.582 †	0.316	-0.009	0.239	-0.366	0.240	-0.452	0.371
Homeownership	0.288 *	0.116	0.199	0.187	0.182	0.141	0.262 †	0.158	0.359	0.236
Migration-Economic Characteristics										
Duration of stay overseas	-0.010	0.010	-0.023	0.017	-0.014	0.013	-0.011	0.012	-0.042 †	0.022
Emigration cost	0.008 **	0.002	0.005	0.003	0.007 **	0.002	0.007 **	0.002	0.009 *	0.004
Village Economic Context										
Proportion of females in industry			-0.791	0.580					-0.340	3.413
Village Infrastructure										
Distance to national highway					-0.005	0.005			-0.017 †	0.010
Bank of China branch					-0.146	0.101				
Village Agrarian Context										
Agrarian population density							0.016 *	0.008	0.014	0.021
Proportion of agrarian land							0.489 *	0.203	-0.218	0.317
Intercept	8.054 **	0.260	8.534 **	0.402	8.249 **	0.323	7.682 **	0.334	8.734 **	0.517
Number of emigrants	1,282		559		811		812		410	

† p < 0.10; * p < 0.05; ** p < 0.01

Table 6. Logistic Regression Models Predicting whether Remittances were Spent on Business

Independent Variables	Model 1		Model 2		Model 3		Model 4	
	b	SE	b	SE	b	SE	b	SE
Socio-Demographic Characteristics								
Age	0.017	0.030	0.106 *	0.044	0.004	0.041	0.029	0.035
Married	0.023	0.553	-1.712 †	0.901	-0.259	0.682	-0.341	0.673
Years of schooling	0.090	0.083	0.016	0.123	0.062	0.105	0.065	0.101
Household Characteristics								
Dependency ratio	-0.369	1.214	1.710	1.699	0.282	1.498	0.440	1.433
Homeownership	-0.762	0.549	-1.178	0.840	-0.590	0.770	-1.119 †	0.656
Migration-Economic Characteristics								
Duration of stay overseas	0.039	0.057	0.096	0.097	0.043	0.071	0.029	0.067
Emigration cost	-0.005	0.013	0.020	0.024	-0.016	0.016	0.002	0.016
Village Economic Context								
Proportion of females in industry			-9.131	9.799				
Village Infrastructure								
Distance to national highway					0.028	0.033		
Bank of China branch					-0.299	0.639		
Village Agrarian Context								
Agrarian population density							0.073 *	0.036
Proportion of agrarian land							-3.253	1.997
Intercept	-4.407 *	1.539	-6.885 **	2.455	-3.690 †	1.995	-4.040 *	1.943
Number of emigrants	1,330		581		848		841	

† p < 0.10; * p < 0.05; ** p < 0.01

Table 7. Logistic Regression Models Predicting whether Remittances were Spent on Local Education or Public Projects

Independent Variables	Model 1		Model 2		Model 3		Model 4		Model 5	
	b	SE	b	SE	b	SE	b	SE	b	SE
Socio-Demographic Characteristics										
Age	-0.007	0.016	-0.001	0.025	-0.027	0.022	-0.025	0.021	-0.006	0.031
Married	0.221	0.274	-0.208	0.451	0.289	0.345	0.456	0.359	0.034	0.495
Years of schooling	0.039	0.042	0.031	0.066	0.042	0.052	0.019	0.053	-0.015	0.080
Household Characteristics										
Dependency ratio	-1.934 **	0.638	-3.348 **	1.166	-2.654 **	0.875	-2.615 **	0.832	-4.912 **	1.503
Homeownership	1.027 *	0.523	0.022	0.569	0.911	0.613	0.423	0.548	0.151	0.684
Migration-Economic Characteristics										
Duration of stay overseas	0.098 **	0.029	0.170 **	0.051	0.114 **	0.039	0.149 **	0.037	0.174 **	0.060
Emigration cost	-0.014 *	0.006	-0.026 *	0.011	-0.019 *	0.008	-0.016	0.008	-0.023 †	0.012
Village Economic Context										
Proportion of females in industry			-0.646	1.999					12.170	10.371
Village Infrastructure										
Distance to national highway					-0.004	0.017			-0.050	0.039
Bank of China branch					-0.104	0.326				
Village Agrarian Context										
Agrarian population density							0.041 †	0.022	0.111 †	0.060
Proportion of agrarian land							0.897	0.660	0.124	1.183
Intercept	-3.298 **	0.900	-2.305 †	1.232	-2.487 *	1.111	-2.737	1.081	-2.142	1.587
Number of emigrants	1,330		581		848		841		431	

† p < 0.10; * p < 0.05; ** p < 0.01

Table 8. Logistic Regression Models Predicting Remittances were Spent on Housing

Independent Variables	Model 1		Model 2		Model 3		Model 4		Model 5	
	b	SE	b	SE	b	SE	b	SE	b	SE
Socio-Demographic Characteristics										
Age	0.005	0.011	-0.006	0.017	0.012	0.015	0.018	0.014	0.007	0.022
Married	0.153	0.203	0.110	0.307	0.081	0.253	0.088	0.250	0.073	0.358
Years of schooling	0.028	0.031	0.025	0.048	0.024	0.038	0.036	0.038	0.057	0.058
Household Characteristics										
Dependency ratio	-0.812 †	0.437	-1.692 *	0.707	-1.175 *	0.561	-1.475 **	0.546	-2.046 *	0.858
Homeownership	-0.172	0.256	-0.165	0.393	-0.143	0.323	0.186	0.362	0.954	0.651
Migration-Economic Characteristics										
Duration of stay overseas	0.114 **	0.022	0.179 **	0.037	0.087 **	0.028	0.104 **	0.027	0.125 **	0.044
Emigration cost	-0.016 **	0.005	-0.008	0.007	-0.013 *	0.006	-0.012 *	0.006	-0.009	0.009
Village Economic Context										
Proportion of females in industry			1.544	1.236					4.377	7.933
Village Infrastructure										
Distance to national highway					0.023 †	0.012			0.026	0.022
Bank of China branch					-0.120	0.228				
Village Agrarian Context										
Agrarian population density							0.000	0.017	0.077 †	0.046
Proportion of agrarian land							-0.139 **	0.518	0.072	0.758
Intercept	-1.563 **	0.587	-1.774 *	0.868	-1.831 *	0.747	-1.991 **	0.755	-3.686 **	1.235
Number of emigrants	1,330		581		848		841		431	

† p < 0.10; * p < 0.05; ** p < 0.01

Map 1: Location of Fujian Province in China.



Remittances in the Latin American and Caribbean Region: A Review of Its Economic Impact

Manuel Orozco

Inter-American Dialogue

1. Introduction

News about remittances, the wave of money reported the world over, has particularly resonated in Latin America and the Caribbean. Worker remittances sent from the United States, Europe and Japan, among other parts of the world, totaled an estimated USD \$45 billion in 2004 and are estimated to grow to \$51 billion or more in 2005. The volume has important manifestations across the Western Hemisphere in terms of its share to national income or in per capita terms. This trend has significantly been influenced by a marketplace and industry that has energized these transfers. This paper provides an overview of remittances in eighteen Latin American and Caribbean countries that relates their economic characteristics to income, trade, per capita transfers, and transaction costs in the market of intermediation. The paper also addresses remittances as part of a broader process of integration in the global economy through what we term “the five Ts”: tourism, transportation, telecommunications, transfers, and trade.

2. Migration Trends in Latin America and the Caribbean

The significance of remittances in Latin America and the Caribbean has been discussed in relationship to its volume and impact in Mexico, El Salvador, or the Dominican Republic. However, as migration trends are growing within the context of transnationalism and globalization, new corridors and countries are reported to also be receiving remittances from migrants.

Although the number of Latin American and Caribbean migrants living outside their homelands is uncertain, the figure may be more than thirty million. The U.S. Census, for example, sustains that Latin America and Caribbean immigrants alone were estimated to range over sixteen million by 2000. However, the Mumford Institute estimated that this figure had a 35 percent undercount. Moreover, by 2005 this number may have increased

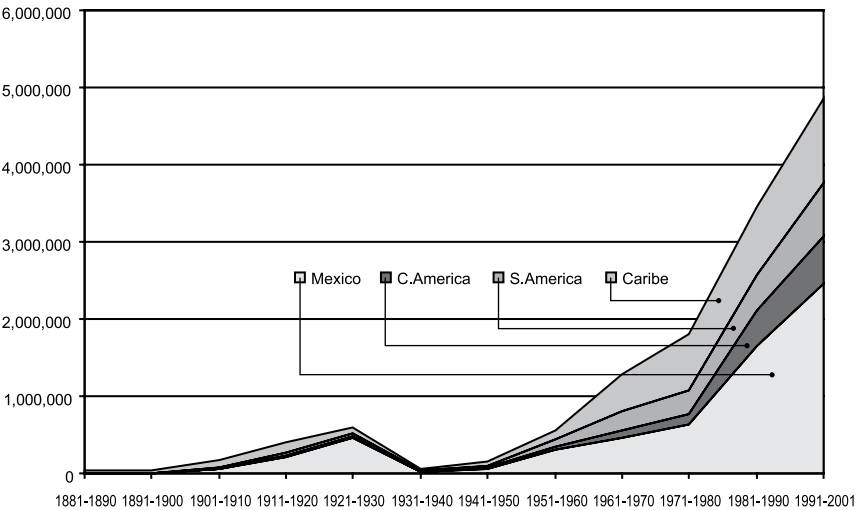
at least by an additional 10 percent (legal migration alone has an annual inflow of half a million Latin Americans): Between 1989 and 2003, seven million Latin American and Caribbean immigrants arrived legally into the United States (see Table 1 and Figure 1).

Table 1: Latin American and Caribbean Immigrants

	U.S.A.	Canada	Japan	Europe
Caribbean	2,953,066	294,055	ND	60,000 Dominicans in Spain
Central America	2,026,150	71,865	ND	ND
South America	1,930,271	300,000	350,000 (Brazil and Peru)	400,000 Ecuadorians in Spain; 100,000 Ecuadorians and Peruvians in Italy
Mexico	9,177,487	36,225	ND	ND
Latin America & Caribbean	16,086,974	702,145	350,000	2,000,000

Source: U.S. Census Bureau; Canada Statistics, Canada Statistics 2001 Census, IOM, Migration from Latin America to Europe: Trends and Policy Challenges, Geneva 2003; Japan: Rosa Ester Rossini “O Novo Enraizamento: A Conquista do Espaço Pelos Nikkeis do Brasil no Japão” 2002. Note: ND No Data.

Figure 1: Latin American migration to the U.S.



3. Regulatory Issues in the Americas

The rules governing money transfers in the Americas are similar to those of other regions in the world. The concern within the United States about inbound and outbound payments pays special attention to compliance

to anti-money laundering and suspicious activities. But it also addresses consumer issues concerning rights of money senders. In Latin America, the approach is broader and pays attention to compliance to rules that do not conflict with U.S. regulations.

Unlicensed businesses represent a variety of players, such as individual entrepreneurs, travel agents who have a license for airfare sales but not for financial transfers, or retail outlet stores whose agents offer “alternative” transfers to licensed businesses, though they may also have a license to provide transfers. Informal businesses typically operate in countries where flows are not particularly attractive to companies because of their small volume, where foreign currency transfers are highly regulated by the state, where technology is still inaccessible to individuals and businesses, or where customers have greater trust and preference for person-to-person delivery. However, these businesses or entrepreneurs are aware of the presence of a regulatory environment. In many instances, some informal entrepreneurs have matured and evolved into formally licensed business operations. Some of the Dominican Republic and Salvadoran companies operating today are examples of this change. Conversely, informal businesses make up over 50 percent of the total volume transferred to Haiti, Cuba, and Nicaragua.

Most transfers to Latin America today, however, take place through fully licensed businesses. Regulatory procedures monitoring the U.S.–Latin America corridor primarily occur in the United States. In order for a business to legally offer money transfers, the company has to comply with federal and state (and sometimes municipal) regulations regarding money laundering, suspicious activities, and day-to-day operations. The compliance process often involves bonding and regular audits, as well as making information available about transfers and the agents with whom the company operates.

Money transfer companies are regulated in more than forty states and municipalities as non-bank financial institutions labeled as money service businesses, with the requirement to have a license and a bond to operate. Federally, the regulatory environment of “Money Service Businesses” is managed by the Treasury Department through the Office of the Comptroller of the Currency, the Financial Crimes Enforcement Network (FinCEN), and the Office of Foreign Assets Control (OFAC), agencies that comply with the Bank Secrecy Act and the USA Patriot Act. Reporting to FinCEN focuses on preventing money-laundering practices, while reporting to OFAC involves monitoring transfers from entities or countries listed by this Office. In addition to the reports and audits, the companies need to meet several procedural legal requirements, which include a written compliance

handbook, a compliance officer, and implementation of an anti-money-laundering training program for staff. These regulations put businesses' compliance on the same footing as banks and other financial institutions in the United States.

Remittances and the Informal Sector in Cuba:

Cuban remittances occur predominantly in an informal context. The majority of Cubans choose to send remittances through informal mechanisms, particularly through *mulas*.

Mulas are entrepreneurs – men and women, Cuban Americans and foreign nationals (Mexicans and Colombians among others) – who can and do travel with ease and frequency to the island. They carry both money and packages of goods to the sender's relatives in Cuba for relatively inexpensive fees. They are known through word of mouth, through the references of relatives, acquaintances, and friends who recommend them as “reliable” people to send packages of any kind.

Mulas go to Cuba predominantly as tourists, as they are informal entrepreneurs without a license to operate as a business. However, they have a well-established network of contacts from Miami residents and businesses, to customs officials in Cuba, and to the distributors of goods.

There is no single type of *mula* and their numbers may run into the thousands. Some *mulas* are salaried and employed by a particular entrepreneur who hires them to travel back and forth to Cuba. There are also *mulas* who are sole proprietors of their informal remittance businesses and who work with family networks in the United States and Cuba. Depending on the business size, some of these sole proprietorships have an informal financial infrastructure in Cuba, which they utilize to have their distribution operations active at any time. Carrying a significant pool of thousands of dollars, and using a fax machine, these individuals transmit messages to their Cuban counterparts with the coordinates of where to deliver money and to whom. In other cases, the individuals who have less capital available travel with greater frequency and arrange the money to be delivered by their relatives. In general, regular *mulas* tend to travel to Cuba twice a month.

Finally, *mulas* may be sporadic travelers or entrepreneurial travelers. The sporadic traveler is a person who is approached by an entrepreneur to arrange delivery of money. Instead of earning a salary for the operation, their trip is paid for in exchange for carrying money and in-kind remittances. There are many individuals, particularly low-income Cubans and the elderly, who find this to be a practical and useful means to enable them to visit their relatives in Cuba. These sporadic or occasional *mulas* may only conduct such operations once a year.

It is also important to stress that many of the formal money transfer businesses make use of the *mulas* as their distribution network in Cuba. The main reason for this is that, given the regulatory constraints as well as the capital investment requirements to establish agencies in Cuba, it is more convenient for the licensed business to rely on the *mula* to deliver the money. In this sense, there is a semi-formal money-transfer process in place.

Central to the existence of *mulas* is trust. People who send remittances to Cuba rely on *mulas* because of their reputation, low cost, and relative efficiency in delivering the money within a reasonable amount of time (no more than three days following arrival to the country, unless outside Havana). The popular consensus of the work performed by a *mula* is shared widely in the community, further reinforcing their reputation. *Mulas* as well as sporadic travelers are intertwined in social networks of various kinds, from neighborhood links to work connections to national bonds.

Source: Orozco 2002a.

In order to ensure efficient reporting, companies have developed database records containing customer information, including recipient's data. Moreover, companies monitor transactions that exceed a typical amount sent by an immigrant, usually over \$1,000. The requirement that immigrants provide full identification and contact information for both the sender and the recipient, which puts the burden on the sender, is key to regulating transfers. Despite company compliance, there are still challenges in preventing money laundering. Because not all remittance companies are fully interconnected, an individual could visit different agencies to send

money separately and above the \$10,000 limit. In response to this situation, a clearinghouse company, Enforcement Compliance Officer, based in New Jersey, was created to share information from nearly thirty businesses about daily transactions and to spot suspicious activities. This clearinghouse operates independently from each company's compliance system.

The regulatory environment in Latin America is minimal. In some countries, money transfer institutions and their distributor counterpart are required to hold a license. They are also required to report transfers above \$10,000. However, because most transactions are below \$300, little reporting occurs. Moreover, in some countries companies do not report any kind of information about their business, nor are they required to do so. This situation not only adds to uncertainty about the amounts received and recorded by the Central Bank, but also raises risks of potential illicit activities. A positive aspect in money transfers in Latin America and the Caribbean is that outbound transfers are allowed and thus facilitate intraregional flows through licensed businesses.

The regulatory system, particularly in the United States, has increased monitoring but also has increased costs for companies that provide training for and implement oversight programs. Businesses are concerned not only about increased operating costs but are also worried that the stringent identification requirements for both senders and recipients will lead to greater utilization of informal services by individuals who would rather use an unlicensed business than provide extensive information.

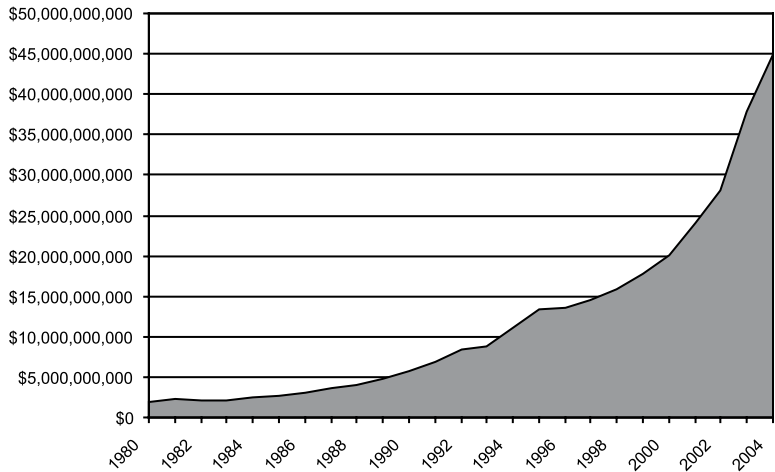
4. Sending Patterns in Latin America and the Caribbean

From the perspective of volume, remittances have experienced an outstanding increase. The volume of these flows rose from less than \$3 billion in 1980 to \$45 billion in 2004 (see Figure 2). The increase is owed to a number of factors that include reactions to economic downturns in Latin America and the Caribbean, strengthened ties between the United States and Latin America, improved competition in money transfers, increased contact among members in transnational families, and improved accounting of the money received. For example, in 1980 only seventeen countries reported flows on remittances; by 2004 the number was thirty. Even these figures reported by Central Banks are considered to be conservative estimates.

Remittance flows have had an economic impact in several of these economies. The most important corridor from which remittances flow is the United States, channeling over seventy percent of the money moving to this region. However, in the past few years an increasing volume of money

has left from countries in Western Europe, such as Spain, as well as from Japan. In general terms, the sheer volume has become an important source of foreign savings that helps address foreign currency reserves.

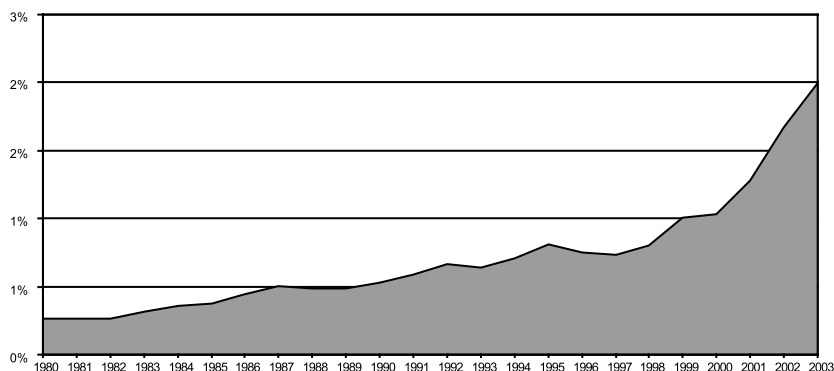
Figure 2: Annual Remittance flows to Latin America and the Caribbean



In the broader Latin American and Caribbean context, remittances are increasingly taking on an important share of the national income. Although remittances represent only 2 percent of gross domestic product, their impact varies across countries and regions, and is greater in smaller economies.

Remittances are significant for at least five reasons. First, they represent an obligation and commitment to family needs. Second, remittances result in the distribution of finances to households and sectors of the country that tend to be economically disadvantaged. Third, remittances have a macroeconomic impact and tend not to decrease with economic downturns. Consequently, they may offset or stabilize the ups and downs of financial cycles. Fourth, these large financial transfers have the potential and capacity to generate wealth in the home and the community where they are sent. Fifth, remittances have multiplying effects, in part through furthering the “five Ts” of global economic integration mentioned above.

Figure 3: Remittances to Latin America and the Caribbean as % of GDP



Variation in remittances' significance, associated with GDP (gross domestic product), per capita GDP, and the cost of sending the money. For example, Haiti, Honduras, Nicaragua, El Salvador, Jamaica, and the Dominican Republic are countries whose remittances received represent more than 10 percent of the total GDP. However, not all of these countries have the highest per capita receipt of remittances. Of the thirteen countries that receive more than \$100 per capita, those with the highest rate are Jamaica, Barbados, El Salvador, Belize, the Dominican Republic, and Grenada. These differences are also noted in the averages sent as well as in the relationship between the annual amount sent and per capita income in these countries. These differences can be observed in the table below. Although the average amount sent is in the \$270 per month range, when that figure is compared to per capita GDP again results vary. Recipients in Haiti, Honduras, and Bolivia, for example, receive amounts that are nearly three times per capita GDP. The cost of sending money also varies across countries and may be associated to volume; the lower the volume entering a country, the more expensive the transfers will be.

Differences in these trends are a function of specific country conditions as well as the history of migration. For example, although Central America, the Caribbean, and Mexico have a historical relationship of migration to the United States, each migratory pattern and its subsequent remittance flows respond to the different realities of these countries. Thus, Salvadorans and Dominicans may receive similar volumes of remittances, but their migrant populations differ in size and timing due to varying dynamics: In the case of El Salvador, the civil war and its post-conflict process; and in the case of the Dominican Republic, a longer historical tradition beginning with the exile of communities escaping the Trujillo dictatorship.

Table 2: Remittances and Key Economic Indicators

Country	Remittance transfers ...					
	as % of GDP	Per capita	Cost as % of transfer	Remittances/ GDP per capita	Average transfer	Annual volume
Mexico	2.3%	162	6.88%	0.73	351.00	16,613,000,000
Brazil	0.6%	34	8.13%	1.85	541.00	5,928,000,000
Colombia	3.9%	87	7.45%	1.31	220.00	3,857,000,000
Guatemala	8.7%	218	7.22%	2.60	363.00	2,681,000,000
El Salvador	14.3%	390	6.18%	1.91	339.00	2,548,000,000
Dominican Republic	14.1%	279	10.39%	0.87	176.00	2,438,000,000
Ecuador	5.7%	134	4.94%	2.57	293.00	1,740,000,000
Jamaica	17.2%	566	8.11%	0.79	209.00	1,497,000,000
Peru	1.4%	50	6.48%	0.95	169.00	1,360,000,000
Honduras	12.4%	163	7.67%	2.91	225.00	1,134,000,000
Haiti	27.8%	122	7.72%	3.17	123.00	1,026,000,000
Nicaragua	10.8%	146	6.93%	2.07	133.00	800,000,000
Paraguay	3.7%	89	9.11%	2.24	263.00	500,000,000
Bolivia	1.6%	48	7.19%	2.77	235.00	422,000,000
Costa Rica	1.8%	80	9.46%	0.82	301.00	320,000,000
Argentina	0.2%	7	9.02%	0.36	212.00	270,000,000
Panama	0.7%	77	10.50%	0.56	196.00	231,000,000
Guyana	8.6%	186	10.14%	2.27	179.00	143,000,000
Barbados	4.3%	418	11.66%	0.29	220.00	113,000,000
Trinidad and Tobago	0.8%	30	10.41%	0.45	200.00	100,000,000
Uruguay	0.3%	71	11.28%	0.22	198.00	93,000,000
Belize	1.7%	281	8.78%	0.73	220.00	77,000,000
Suriname	2.1%	114	10.17%	1.17	220.00	50,000,000
Grenada	5.2%	220	ND	0.6838	220.00	23,000,000
Venezuela, RB	0.0%	1	17.10%	0.41	138.00	21,000,000
Chile	0.0%	1	8.90%	0.64	279.00	13,000,000
Antigua and Barbuda	1.5%	140	ND	0.29	220.00	11,000,000
Dominica	1.5%	56	ND	0.77	220.00	4,000,000
St. Kitts and Nevis	1.2%	86	ND	0.36	220.00	4,000,000
St. Lucia	0.6%	25	ND	0.63	220.00	4,000,000
St. Vincent and the Grenadines	0.8%	27	ND	0.81	220.00	3,000,000

Source: Central Banks of each country, World Bank Development Indicators, data collected by the author.

A look at these flows in the Latin American and Caribbean region shows three distinct groups of countries in which remittances have strong, medium, or low impacts. One group is represented by those countries whose flows have an effect in most, if not all, of the indicators mentioned above. This means that remittances have an important presence in the country's national and per capita incomes and provide recipient households at least twice the average per capita income. In the second group, a positive effect is felt in half of these indicators, and in the third group, the impact of remittances.

Table 3: Impact of Remittances on Latin American and Caribbean Economies

Impact of Remittances		
Strong (3)	Medium (2)	Low (1)
- Guatemala, - Ecuador, - Nicaragua, - El Salvador, - Haiti, - Honduras, - Bolivia, - Guyana, - Jamaica, - Mexico	- Paraguay, - Colombia, - Peru, - Dominican Republic, - Brazil, - Suriname, - Costa Rica, - Belize, - Grenada, - Barbados	- Dominica, - Panama, - Antigua and Barbuda, - St. Vincent and the Grenadines, - Chile, - Trinidad and Tobago, - Argentina, - St. Kitts and Nevis, - Uruguay, - St. Lucia, - Venezuela, RB

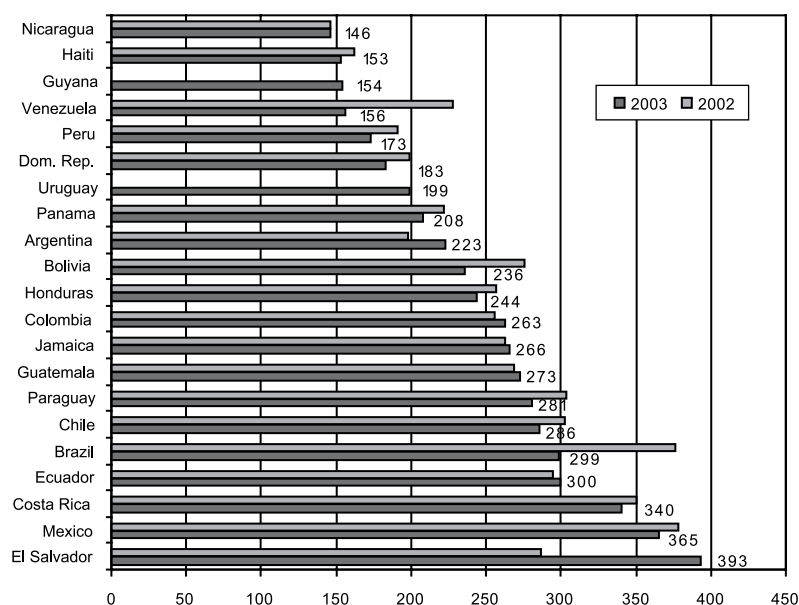
Ratio of remittances: 1: < 0.66; 2: 0.67–1.5; 3: > 1.51; Remittances as % of GDP: 1: < 1%; 2: 1 to 4%; 3: > 4%; Remittances per capita: 1 < 36; 2: 37–100; > 100; Remittances cost: 1: > 7.5; 2: 7.6–9.5; 3: < 9.5.

4.1 Benefits to Households

One reason people emigrate is to address family economic and financial needs. The result is the development of transnational obligations to pay for the upkeep of the home, debts, and other obligations. On average, immigrants commit themselves to send over \$3,000 on an annual basis, an amount that tends to represent 10 percent or more of the immigrant's income.¹ On average, immigrants in the United States send \$280 in remittances at least twelve times a year, but these amounts vary depending on the country of origin. Among Latin Americans, Mexicans, Brazilians, and Costa Ricans send the most, while Peruvians, Haitians, and Nicaraguans send the least. Mexican immigrants on aggregate send about 22 percent (nearly \$400 a month) of their income.

Figure 4: Average Monthly Amount Sent by Immigrants

¹ According to the 2000 U.S. Census, over 40 percent of Latinos earn less than \$20,000 a year and over 70 percent earn less than \$35,000 a year (U.S. Census Bureau 2000).



Source: National Money Transmitters Association 2005.

In both urban and rural areas, recipient households spend the vast majority of remittances on basic needs; that is, everyday expenditures and consumption. Most households use the money to cover living expenses. The resources go to immediate family members. Specifically, siblings and parents are most likely to receive the money. They are not the only beneficiaries but are rather the main administrators of foreign income.

Table 4: Administration of Remittances

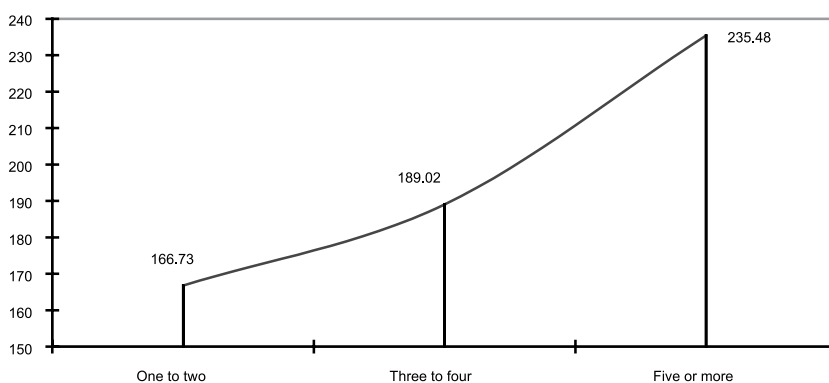
Type of expense	Guatemala	Honduras	El Salvador	Mexico	Ecuador
Living Expenses (mortgage, rent, food, utilities)	68%	77%	84%	70%	60%
Savings	11%	4%	4%	7%	8%
Business Investment	10%	4%	4%	1%	8%
Education	7%	10%	4%	6%	2%
Other Items	3%	3%	2%	3%	18%
Property Purchase	1%	2%	1%	1%	4%
Unknown/Left Blank	0%	0%	2%	11%	1%
Total	100%	100%	100%	100%	100%

Table 5: Remittance Beneficiary

	Guatemala	Honduras	El Salvador	Mexico	Ecuador
Children	12%	16%	15%	11%	14%
Sibling	42%	32%	31%	35%	28%
Spouse	9%	9%	6%	9%	13%
Parent	19%	27%	27%	19%	29%
Other	19%	16%	22%	17%	15%
Unknown/ Left Blank	0%	0%	0%	10%	1%
Total	100%	100%	100%	100%	100%

Source: Multilateral Investment Fund Inter-American Development Bank, *Receptores de Remesas en Mexico*, Octubre 2003; *Receptores de remesas en Guatemala, El Salvador y Honduras*, September 2003; *Receptores de Remesas en Ecuador*, May 2003, MIF-IADB/FOMIN-BID, Washington, D.C.

In fact, according to a recent survey carried out in thirty states in the United States, immigrants' commitment to supporting their families depends more on the number of beneficiaries than on the income they earn in the United States. The figure below shows how the average amount sent by migrants increases with the number of people that will benefit from the remittance.

Figure 5: Average Amount Sent and Number of Remittance Dependent

4.2 Redistributive Effects

Latin America's long-standing history of income inequality and the consequent income misdistribution is a key reason for the region's poverty. Remittances have become a coping mechanism to deal with this poverty and distorted income distribution. Indeed, a fundamental attribute of remittances lies in their distributive nature; these monies go directly to many of the homes (and more occasionally, communities) of low-income and poor citizens.

One way this redistributive effect can be seen is by comparing the incomes of households receiving remittances to average national incomes. Homes that receive remittances generally receive the equivalent of the gross domestic product per capita in Latin America. Given that less than 20 percent of Latin Americans receive the equivalent of per capita GDP, immigrants are dramatically improving the condition of their relatives, who may represent over 10 percent of the population.

Table 6: Per Capita GDP, Income Distribution, and Per Capita Remittances

Country	Annual per capita GDP (\$)	GDP per capita of poorest 20% (\$)	GDP per capita of poorest 40% (\$)	Remittances per capita ^a (\$)
Panama	4020	181	390	440
El Salvador	2113	112	218	361
Dominican Republic	2514	85	206	257
Paraguay	1167	61	125	177
Guatemala	1755	81	163	176
Nicaragua	714	30	64	147
Mexico	5922	420	640	132
Ecuador	1489	77	153	129
Honduras	929	43	86	127
Costa Rica	4074	204	428	78
Colombia	1820	64	153	70
Bolivia	902	44	81	39
Brazil	2834	94	204	30
Venezuela	4079	175	408	10
Argentina	4220	219	388	6

Source: World Bank, *World Development Indicators*, Washington, D.C., 2003, various years in late 1990s.

Another indication of the redistributive nature of remittances is seen in its geographic scope. At least 30 percent of the money arrives in rural Latin America, where the population is overwhelming poor. In the Mexican case, ten predominantly rural Mexican states account for the majority of emigration. The Encuesta sobre Migración en la Frontera Norte de México (EMIF), published in 1994, showed that over 75 percent of all migrants leaving Mexico originated from ten states (El Colegio 2003). Similarly, the top ten remittance-receiving states – Guanajuato, Jalisco, Michoacán, San Luis Potosí, Guerrero, Zacatecas, el Distrito Federal, el Estado de México, Chihuahua, and Durango – receive over two-thirds of all remittances sent to Mexico, as shown in Table 7 (Torres 2001).

Table 7: Top Ten Migrant-sending States and Top Ten Remittance-receiving States in Mexico

State	Percentage of Total Migrants ^a	Percentage of Remittances ^b
Guanajuato	17.9	13.7
Michoacan	10.9	11.2
Distrito Federal	7.5	4.5
San Luis Potosi	7.4	5.8
Jalisco	6.9	11.4
Coahuila	6.3	..
Durango	5.7	3.4
Chihuahua	5.2	3.6
Zacatecas	4.5	4.5
Guerrero	3.5	4.9
Estado de Mexico	..	3.8
Total	75.8	66.8

Sources: El Colegio de la Frontera Norte, “Problemas y Perspectivas de las Remesas de los Mexicanos y Centroamericanos en Estados Unidos,” Unpublished Manuscript, El Colegio de la Frontera Norte: Departamento de Estudios Económicos, Mexico, 2002, 30; Torres, Federico, “Las Remesas y el Desarrollo Rural en las Zonas de Alta Intensidad Migratoria en México,” Naciones Unidas: Comisión Económica para América Latina y El Caribe (CEPAL), Mexico, 2001, 3, 27-28. ^a 1993–1994; ^b 2000.

In El Salvador, the departments that lose the highest percentages of their populations to migration – San Vicente, Cabañas, Chalatenango, Morazán, La Unión, and Sonsonante – share characteristics with their Mexican counterparts. Notably, they are predominantly rural, are the most ecologically deteriorated, have the lowest standards of living, and lack significant infrastructure. Significantly, the geographic distribution of the remittance receiving households in Mexico and El Salvador is similar. Thus, rural households in each country make up a significant percentage of all remittance recipients.

Table 8: Percentage of Remittance-receiving Households in Rural and Urban Areas, 1996

	Mexico	El Salvador
Urban	54.3%	60.5%
Rural	45.7%	39.5%

Sources: El Colegio de la Frontera Norte, “Problemas y Perspectivas de las Remesas de los Mexicanos y Centroamericanos en Estados Unidos,” Unpublished Manuscript, El Colegio de la Frontera Norte, Departamento de Estudios Económicos, Mexico, 2002, 36; García, Juan José “Las Tendencias de la Migración en El Salvador,” FUSADES-PNUD, 1998, 10.

Migration and remittance patterns in Nicaragua are also worth noting. Nicaraguan migrants from Managua predominantly move to the United States, and those from rural parts of the country mostly move to Costa Rica. In a nationwide study conducted in June 2001, 42 percent of those living in

Managua reported having a relative abroad, compared to 35 percent in the Pacific region and 29 percent from north-central Nicaragua. The majority of those reporting outside Managua had relatives working in Costa Rica, whereas those living in Managua had relatives primarily migrating to the United States (Orozco 2003a).

4.3 Macroeconomic and Counter-cyclical Effects

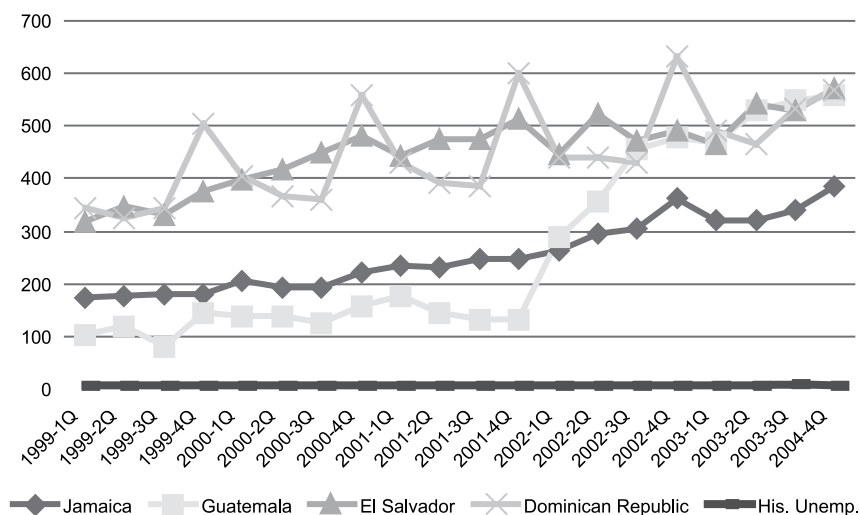
From the macroeconomic point of view, remittances have acquired as much importance as exports, traditionally considered the most important rubric of GDP. In some years, remittances to El Salvador have exceeded total exports, and in the Dominican Republic and Nicaragua remittance volumes have been more than half the value of exports. El Salvador has come to depend heavily on remittances and has executed national policies to attract them. Even in large economies like Mexico's, remittances are of singular importance; they are equivalent to 6 percent of total exports and over 72 percent of foreign direct investment (Orozco 2002b).

Additionally, remittances provide an almost counter-cyclical trend to the economy over an extensive period of time (Ratha 2003). Despite the global economic recession and its impact on the United States, remittances have continued, even and in spite of growing unemployment among the U.S. Hispanic community. While the Latino/a rate of unemployment rose from 6.3 percent in the United States in 2001 to 7.3 percent in 2002 and 8.3 percent in 2003, the amount sent continued growing in a normal manner and even rose for some countries. The trend whereby remittances continue at the same rate or even rise in times of economic downturns is particularly important for the receiving country.²

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² The Dominican Republic is a useful case to illustrate and explain macroeconomic determinants of remittances. For a full analysis of this issue see, Manuel Orozco, "Determinants of Remittance Transfers: The Case of the Dominican Republic, January 1999 to September 2003."

Figure 6: Counter-cyclical Nature: Quarterly Flows to Selected Latin American Countries



Source: Central Banks of each country.

4.4 Remittances and Finances

Central to remittance transfers is their connection to and with financial institutions. In turn, financial institutions serve a vital function in offering development potential. Remittances necessarily involve at least an indirect relationship with banking institutions: Formal remittances always pass through banks at some point. Thus remittances not only enable important life-enhancing expenditures but they also connect people with banking institutions. Indeed, access to conventional financial services of banks and credit unions plays a vital role in creating and expanding economic citizenship.

The importance of remittances as a potential tool to bank the unbanked is vital. Only 50 percent of Latinos in the United States have bank accounts, and the number of Latin Americans in their home countries who are banked is significantly lower, especially among the poor. The lack of banks and bank accounts has a host of negative implications, from higher transmitting costs of remittances to lack of credit for home ownership or investment in productive enterprises. People who have bank accounts are likely to improve their financial situation and enhance their economic citizenship in the U.S., Latin America, and the Caribbean.

The contribution of remittances to enabling financial citizenship is indicated by the finding that remittance recipient households in Latin

America have a higher rate of having bank accounts than non-remittance-recipient households. One explanation for this trend may be that when households accumulate savings, they seek more efficient ways to mobilize these and resort to financial institutions. Another possible explanation is the influence of families in the United States who are now more familiar with financial institutions. Other studies have also shown that remittance-recipient households save more than those who do not receive remittances (Andrade-Eeckoff 2003). This observation underscores the importance of appropriate policies to promote banking so that savings rates would likely increase and opportunities for lending could be made available in local communities.

4.5 Multiplying Effect of Remittances

Remittances also have a multiplying effect on the economy. In practice, this means that the increased flow of money into the economy from remittances contributes more than its actual or original value when remittances are spent (usually), saved, or invested (less often), more money is available throughout the economy, leading to an overall expansion in economic health. In other words, the multiplier effect creates a positive and disproportionate enhancement in spending and financial flows.

In order to measure the particular effects of remittance flows on employment and economic productivity, economists explore the portion of expenditures of remittances spent on household consumption. In German Zarate's study of remittances and the Mexican economy, he concludes that remittances seem to flow to mostly small rural municipalities that are linked to more dynamic economies through the goods and labor markets, where the main beneficiaries are urban and rural businesses. Therefore in the macroeconomic perspective, rural areas that receive remittance flows tend to have ripple effects on the urban economic centers as consumption increases and demand is boosted for goods and services produced in urban areas.³ An earlier study by Massey and Durrand arrived at similar conclusions, stressing that the multiplier effect could be as high as \$4. That is, every "migradollar" that enters a local economy generates \$4 in demand of goods and services (Durrand and Massey 1996).

³ German Zarate "The Multiplier Effect of Remittances" 2004.

5. Remittances as Part of a Process: Globalization and the five Ts⁴

Remittances constitute a significant component of how countries are inserted into the global economy through their migrant communities. Remittances are not only about the behavior of individual migrants but are also part of the process whereby nations are further integrated into the global economy. In addition to sending remittances, migrants also sustain contact with their families and homelands through other related activities, the five Ts, which also have significant economic and developmental implications: transportation, tourism, telecommunications, trade, and transfers. Migrants' tourism back home and their purchase of consumer products made in their communities or countries of origin may have the most direct economic impacts and multiplier effects, but telecommunications, transportation, and the process of remittance transfers can make indirect contributions. In this current wave of migration, immigrants are agents globalizing their home countries. Their activities have opened business and investment opportunities that have expanded trade and investment.

6. Air transportation

Migrants' use of air transport is of great economic importance. Grupo Taca, an airline which operates in Central America, has fifteen daily flights from the United States to El Salvador, and more than 70 percent of its passengers are Central Americans. There are at least two direct flights a day from Chicago to Zacatecas, from New York to Puebla, and from Los Angeles to various interior Mexican cities. Air traffic has increased extensively among those countries; there are many airlines operating in the region and competing among themselves. From JFK airport alone, annual flights transport some 140,000 people from Santo Domingo and another 95,000 Dominicans arrive via Miami.

A survey conducted by the author shows that 30 percent of remittance-sending immigrants indicate travel to their home country at least once a year. Immigrant groups vary in terms of travel, with Ecuadorans, Dominicans, and Guyanese traveling more often than other immigrants (Table 10). Ecuadorans are among the most frequent travelers to their country, with 12 percent traveling twice a year and 40 percent once a year. More than one in ten Dominicans travels three times a year, two in ten travel twice, and one in three travels once a year.

⁴ Parts of this section appeared in the report "Transnationalism and Development" prepared by the author.

Table 9 Frequency of Immigrant Travel to Home Country (percent)

	Three or more times a year	Twice a year	Once a year	Once every two years	Once every three years	I travel little	I have never travelled
Ecuador	0.0	12.20	39.20	35.10	4.10	9.50	0.0
Dominican Republic	11.60	24.50	33.30	10.90	3.40	16.30	0.0
Guyana	5.80	12.10	26.70	18.40	10.70	26.20	0.0
El Salvador	1.50	5.60	20.40	5.60	8.70	23.50	34.70
Mexico	2.50	5.00	20.10	4.60	6.30	14.60	46.90
Colombia	2.00	7.00	13.00	6.00	0.0	15.00	57.00
Nicaragua	2.00	6.00	11.30	13.30	3.30	12.70	51.30
Cuba	0.0	2.30	10.90	4.00	1.70	13.10	68.00
Honduras	0.0	5.50	6.80	12.30	2.70	12.30	60.30
Guatemala	0.90	3.70	4.60	3.70	0.90	15.60	70.60
Total	3.00	8.20	19.10	10.10	5.00	17.00	37.70

Source: Data from author's survey of immigrants in New York, Los Angeles, Washington, D.C., Chicago, and Miami, administered by Emmanuel Sylvestre and Associates. Partial results reported in Orozco 2004a; see survey methodology at end of chapter.

The immigrants who have not traveled back to their country tend to have lived in the United States for only a short time. More than 60 percent of those living in the United States less than six years have not traveled back to their home country. This finding is consistent with other research showing that recent immigrants tend to send less money home due to lower incomes and the obligations of settling into a new country.

7. Tourism

The connection between immigrants and their country of origin constitutes an ongoing process. One facet of this enduring connection is that emigrants at one point in time become tourists to their country of origin at a later point. For instance, large numbers of tourists to and within the Dominican Republic, El Salvador, Honduras, Nicaragua, and Mexico include former nationals who live abroad. Many of the tourists to El Salvador, for instance, are Salvadorans living in the United States. Their stays average more than two weeks and their spending averages \$50 a day. Likewise, Nicaraguans travel frequently to Managua and bring with them consumer goods and hardware. About 500,000 Dominican expatriates, or about 20 percent of tourists to the Dominican Republic, return annually and spend on average \$650 per visit. Likewise, about 20 percent of annual tourism to Mexico is Mexicans returning to their home communities, often to small towns for

patron saint festivals, Christmas, and other commemorations. In all, these visits involve spending or leaving billions of dollars in the countries of origin (Orozco 2002c).

Table 10 Tourism in Dominican Republic, Jamaica, and Mexico, and National Origin of Tourists

	Nationals	Percentage	Year
Dominican Republic	523,588	15	2003
Jamaica	57428	6	2004
Mexico	2,203,100	0.22495	1997

Source: Banco Central, Republica Dominicana, <http://www.bancentral.gov.do/>; Bank of Jamaica, Statistical Digest, October 2004; Jamaican government officials stress that the percentage reported is at least half of the actual trend: Jamaicans living overseas do not fill out the forms as nonresident Jamaicans, so statistical records underestimate their actual volume. Banco de Mexico, www.mexico-travel.com.

Visiting the home country entails more than staying with relatives. Immigrants who return home to visit are also tourists who spend considerable amounts on entertainment with their families. The visits take place on various occasions, from Christmas and New Year to Easter and other religious holidays. Other immigrants go on special trips to their hometown for weddings, birthdays, deaths, or other emergencies.

Immigrants typically spend at least \$1,000 per stay. Ecuadorians again are the most notable group, in that they not only travel more often but also spend the most. Other Latinos tend to spend similar amounts, around \$1,000 to \$2,000.

Table 11 How Much Do You Spend Per Trip? (percent)

	Less than \$1,000 per stay	Less than \$2,000 per stay	Over \$3,000 per stay
Colombia	82.9	17.1	0.0
Cuba	50.0	26.9	23.10
Ecuador	9.6	39.7	50.70
El Salvador	43.6	48.2	8.20
Guatemala	51.6	35.5	12.90
Guyana	45.8	41.1	13.10
Honduras	56.7	33.3	10.00
Mexico	33.9	38.4	27.70
Nicaragua	72.7	21.2	4.50
Dominican Republic	35.8	50.7	13.40
Total	43.9	38.9	17.00

Source: Same as Table 10.

Guyana offers an interesting example. More than 40 percent of Guyanese who send remittances visit the home country at least once a year. This number represents a potentially lucrative and relatively untapped market. Guyanese immigrants visiting their home country spend on average \$1,000 a stay. This adds up to at least \$25 million left in the country. Thus, the contributions to the economy of home visits add significantly to that of their remittances, which are estimated at over \$100 million (Orozco 2004b).

8. Telecommunications

Telephone calls are another fundamental aspect of the connectivity that affects the countries’ economies. Immigrants make around 120 minutes per month in calls to relatives abroad. These amounts translate into millions of dollars that benefit the companies and the telecommunication infrastructure. Between 50 to 80 percent of earnings generated through telephones come from home-to-home calls made by immigrants (Orozco 2004b).

Home-to-home phone calls may be responsible for most of the revenue generated in international long-distance telecommunications. Central Americans living in the United States maintain significant contact with their home countries – and telephone calls are a major form of transnational family contact. Over 60 percent of Central Americans call at least once a week and spend at least 30 minutes a week on the phone with relatives abroad, totaling 120 minutes a month (Tables 13 and 14).

Table 12. Frequency of International Long-distance Telephone Calls Made to Home-country Relatives (percent)

	Two or more times a week	Once a week	Once every two weeks	Once a month	I seldom call
Colombia	39.0	38.0	16.0	6.0	1.0
Cuba	11.9	35.7	32.1	16.7	3.6
Ecuador	55.0	43.0	2.0	[zero?]	[zero?]
El Salvador	23.8	34.3	27.6	11.4	2.9
Guatemala	21.1	34.9	26.6	12.8	4.6
Guyana	16.6	25.3	30.4	20.7	6.9
Honduras	23.0	33.8	25.7	10.8	6.8
Mexico	28.3	44.4	14.3	9.0	3.9
Nicaragua	29.1	40.5	20.3	8.1	2.0
Dominican Republic	60.7	16.7	11.3	8.0	3.3
Total	29.1	34.7	21.3	11.2	3.7

Source: Same as Table 10.

Table 13. Average Length of International Long-distance Telephone Calls Made to Home-country Relatives (percent)

	Less than 5 minutes	6–10 minutes	11–20 minutes	20–30 minutes	More than 30 minutes
Colombia	2.0	10.0	15.0	32.0	40.0
Cuba	4.6	21.1	39.4	21.1	9.7
Ecuador	0.0	4.0	45.0	37.0	13.0
El Salvador	0.5	4.3	11.4	22.4	59.0
Guatemala	0.0	1.8	9.2	18.3	64.2
Guyana	3.4	15.3	39.0	22.0	7.6
Honduras	4.0	14.7	20.0	25.3	29.3
Mexico	2.5	3.2	7.8	29.4	55.7
Nicaragua	0.7	9.3	24.7	36.0	26.0
Dominican Republic	0.7	6.7	13.3	35.3	44.0
Total	2.0	8.9	22.0	27.3	35.7

Source: Same as Table 10.

Immigrant contacts account for a substantial share of telephone companies' revenues on service between the United States and Latin America. Half of the call minutes from the United States to Central America and the Dominican Republic, for example, are household to household.

Table 14. Phone Calls between the United States and Selected Central American Countries

Country	Total minutes (2002)	U.S. revenue	Payment to country	Household-to-household minutes (2003)
Nicaragua	62,243,684	\$28,440,239	\$15,878,883	120,280,413
El Salvador	659,528,740	\$185,825,580	\$68,190,716	492,510,153
Guatemala	909,056,312	\$300,132,848	\$77,585,373	305,441,973
Honduras	338,475,478	\$108,026,709	\$77,177,514	169,417,799
Dominican Rep.	1,005,737,128	\$149,761,218	\$41,348,782	660,806,085

Note: Computation based on an average of four calls a month at 5, 8, 15, 25, and 30 minutes per call. Formula was $\sum \text{of phone calls} = \text{annual minutes} \times \text{percent calling} \times \text{immigrant percent remitting}$ (from 2000 U.S. Census).

Source: Same as Table 10; U.S. Census Bureau; 2000, 2001, 2002 *International Telecommunications Data*, Federal Communications Commission, December 2001 and January 2003.

9. Nostalgic Trade

Many migrants engage in nostalgic trade. Around 70 percent of immigrants consume traditional products from their country of origin: tortillas, coffee, rum, tamales, and sweets, among others. The volume of nostalgic products exported to the United States from various countries of Latin America has come to represent some 10 percent of total exports.

In addition to exports of these goods, remittance-recipient households also demand and receive U.S. goods. The values and information transmitted by immigrants to relatives translates into imports.

Purchasing nostalgic goods is a way of maintaining cultural traditions from the home country, which generates revenue. In the comparative survey carried out by the author, Latinos were asked whether they buy products from home. The large majority answered positively. Only Cubans offered a low response rate, due to the fact that they travel less, have much less contact with Cuban institutions, and the U.S. embargo hampers the acquisition of home-country goods. However, more than 70 percent of other Latinos reported that they bought goods from their country of origin.

The magnitude of these dynamics has macroeconomic effects. According to the Ministry of Economy of El Salvador (Batres-Marquez 2001), these products are estimated to represent at least 10 percent or \$450 million of total exports from El Salvador to the United States. Salvadoran foods such as tortilla flour, red beans, loroco, semita, cheese, and horchata are important exports (Batres-Marquez et al. 2001). The Batres-Marquez study and other experiences encouraged the government to seek to bring these items into the trading agenda during negotiations on the proposed Central American Free Trade Agreement (CAFTA). In fact, El Salvador was the only government with an agenda that explicitly included its ethnic market. Exports to the United States of El Salvadoran beer ballooned from \$1 million to \$3.5 million between 1999 and October 2001 (USTR 2002). Many home-country producers have established businesses in the United States to cater to the migrant community.

U.S. imports of Guyanese goods in the past five years reflect the positive and consistent relationship that exists between the two countries. Guyanese-Americans show a great demand for goods such as rum, fish, and tea; profits from such products represent an important share of total exports. Imports of spices, for example, which more than 60 percent of immigrants reported buying from Guyana, have grown substantially in the past five years, from less than \$1,000 to \$35,000 (Orozco 2004b).

Healthy demand for nostalgic goods has induced migrants to invest in home-country manufactures of foodstuffs such as cheese, fruits, and vegetables. Migrants residing in the United States have set up businesses back in their home countries to establish stores of various kinds. An example is Roos Foods, Inc., a food manufacturer that produces and sells processed milk products in Central America and to Central Americans and Mexicans living in the United States. Roos operates in the United States but has franchises

in Nicaragua and El Salvador. This trend of migrant investment in home countries is likely to continue.

10. Transfers: Market Conditions in the United States

The value of remittances has not yet been fully realized because of a series of problems in both the United States and Latin America. Some of the problems are distinct to the U.S., some are distinct to the Latin American region, and others overlap between the U.S. and Latin America. These problems include the high cost of remittances, underutilization of savings and credit institutions, limited competition, lack of accounting, and inadequate leveraging of remittances in local communities. These are impediments of a transnational nature; that is, they affect both sender and recipient in countries of origin and of destination. Importantly, however, these problems can and should be addressed through a series of policy changes.

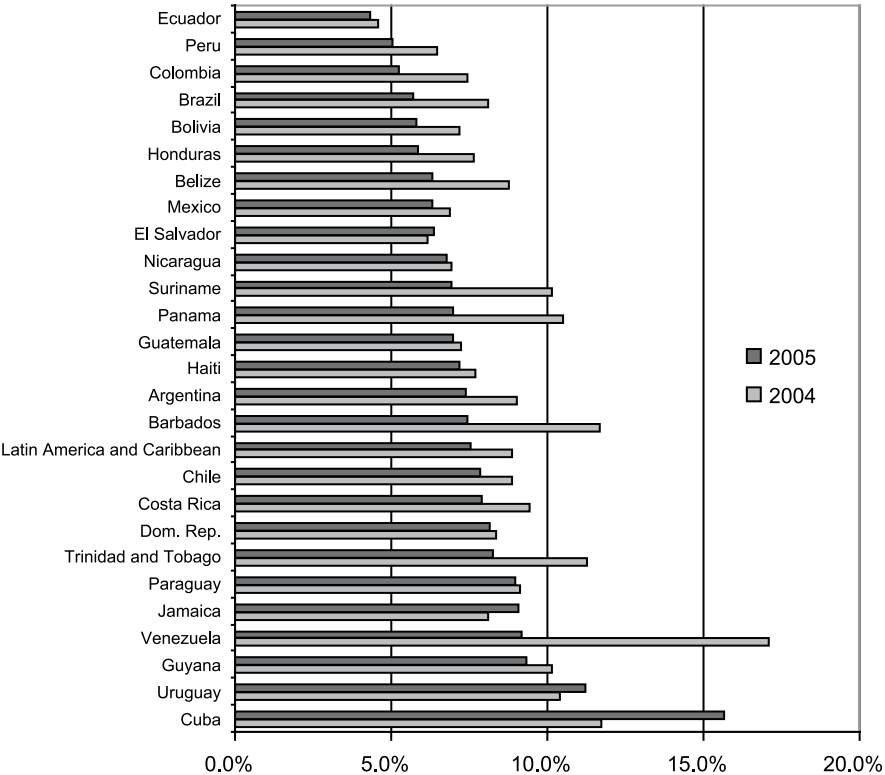
Costs: While the greatest cost of migration is almost certainly emotional and familial, the financial cost of sending monies is also extremely important. As explained above, immigrants frequently send significant amounts of money, generally once a month, and typically in amounts ranging from \$150 to \$400. These amounts are a considerable percentage of income for migrants who are mostly low-wage workers.

To get this money to their families, most immigrants use some form of intermediation, whether formal or informal. These intermediaries include money transfer agencies, small businesses, banks, or even individual entrepreneurs. Using intermediaries, a necessity for most senders, has costs associated with it. Costs of sending typically range between 4 and 10 percent of the value sent. This cost is expensive, especially considering that more economic and value-added options exist, such as the use of savings and credit institutions or debit cards, as noted later in the discussion of policy alternatives.

The cost of sending remittances generally reflects two components: a fee to send the money plus a commission on the exchange rate of the quantity converted into local currency. The former is mostly U.S. policy, and the latter by policy considerations in Latin America and the Caribbean. The figures below show total average transfer costs to send remittances to twenty-three Latin American and Caribbean countries from the United States. The numbers refer to information based on data gathered from the fifty largest companies operating in the different countries in the Western

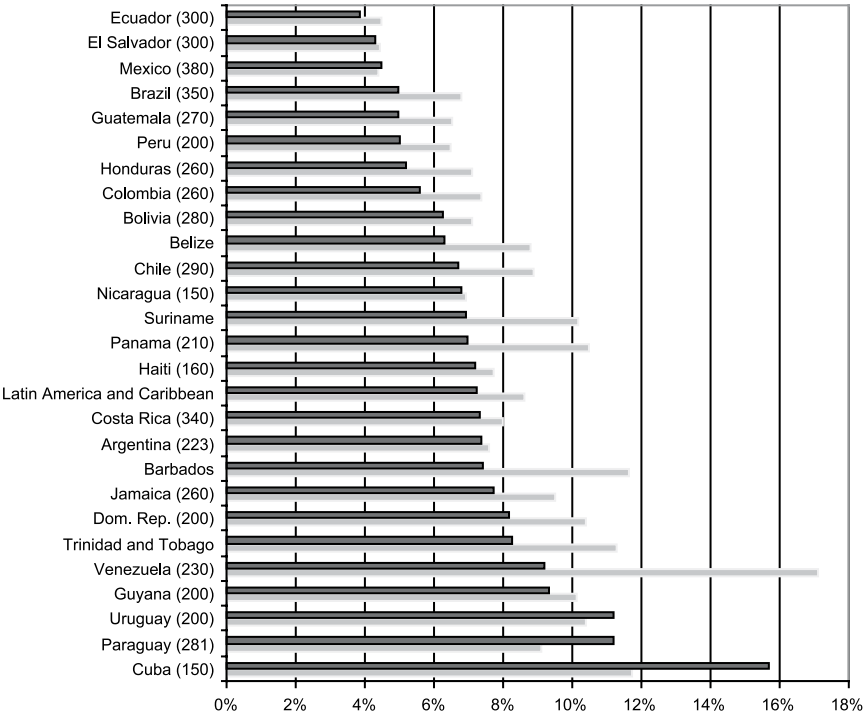
Hemisphere. Figure 7 refers to the cost of sending \$200 (about 40 percent of immigrants send \$200), and Figure 8 shows the cost of sending the average remittance sent for particular countries.

Figure 7: Cost to send \$200 from the U.S. to Home Country



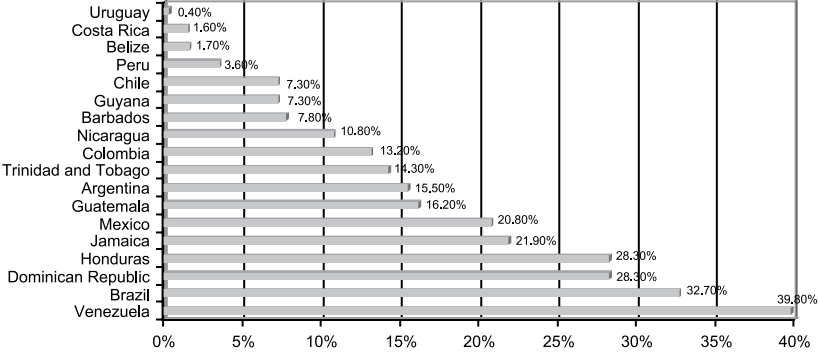
Source: Data compiled by the author. See methodology at end of document.

Figure 8: Cost to Send from the U.S. Average Amount to Home Country



Source: Data compiled by the author. See methodology at end of document

Figure 9: Commission in the Exchange Rate as Percent of Total Costs (June 2004)



Source: Data compiled by the author. See methodology at end of document

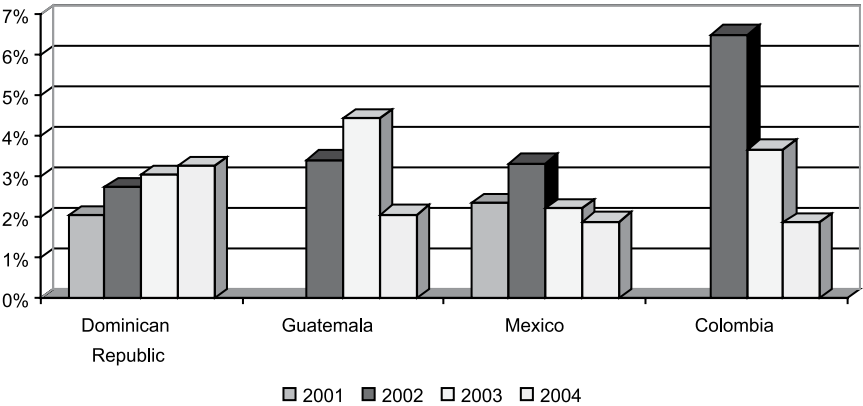
Historically, the U.S. remittance-sending market was built on whatever was available to immigrants, including money transfer companies, especially Western Union, or informal methods of remitting. People paid higher sending costs because there either were no viable alternatives or they had no means (e.g., transport and bank accounts) of accessing those

alternatives. Five years ago, it was more difficult and more costly than it is now to send money to relatives; some companies charged up to 20 percent of the principal sent, and in many cases they did it through a very unfavorable exchange rate of the dollar against national currency.

It is worth emphasizing that the costs of sending money have been falling slowly over the last five years. Competition, legal demands, consumer protests, a Congressional investigation in the United States into abuses against immigrants, criticism from the Inter-American Development Bank, and the work of some research centers have worked together to result in a reduction in the costs of sending money.

Competitors are increasing in number and are seeking market share by lowering prices. One way to measure competition in remittance transfers is by looking at variations in prices among companies. Where companies compete through pricing, the variance between the highest and lowest number usually is closer to the mean value. The chart below shows the standard deviation of prices (as a percentage of the \$200, on average, sent) among various companies remitting to four Latin American and Caribbean countries. As the chart shows, the standard deviation has decreased and most companies offer similar fees for sending to the same country. The Dominican Republic is an exception and reflects the foreign-currency crisis in the country rather than increased manipulation by companies.

Figure 10: Standard Deviation of Foreign Exchange Commission among Companies



Source: Data compiled by the author. For the methodology see the Appendix at the end of the chapter.

Savings and credit: Although there may be an inherent relationship between remittances and finance institutions, the participation of financial institutions, traditional or non-traditional, is still limited. It is important

to recognize that at least 50 percent of immigrants in the United States lack access to banking due to problems of language, education, the lack of offers to bank the unbanked, and discrimination, some migrants think they don't need banks because they expect to return to their home country. The effect is that individuals are kept outside the financial environment without access to savings, credit, and opportunities for investment, large or small. The poor as much as the rich want to save and have access to credit, but poor people and ethnic minorities suffer from lack of access to financial services. Thus, banking the unbanked is a fundamental element of personal development (Orozco 2004c).

11. Sending Remittances: Market Conditions in Latin America and the Caribbean

Costs and limited competition: Conditions in both the United States and in Latin America and the Caribbean influence the price of sending money. An important reason for high transfer costs from the United States is the lack of competition in the international money-transfer market. Latin America and the Caribbean can be classified into three different market sectors in relationship to their competitive position, namely, mature, consolidating, and underdeveloped. The classification depends on different factors such as a company's level of market concentration, efficiency in transfers, its regulatory position, the diversity of players, and company costs.

Transfer markets in most Latin American countries are still in a consolidating or underdeveloped stage, except perhaps for Mexico. In Mexico, remittance market competition has lowered costs significantly; there is capital for investment, no regulatory problems exist, and old and new players coexist in the market. (There is a significant balance between supply and demand.)

In a consolidating market, three trends are observed: expansion, consolidation, and innovation. Traditional players face shifting dynamics as the sending market becomes increasingly concentrated and consolidated. Concentration occurs mostly from the consolidation resulting from firm expansion or purchase of existing businesses or agents. The demand side still faces an industry seeking to offer a more cost-efficient transfer, and investment is driven into market innovations such as offering store value cards, debit cards, and wireless internet technology. The majority of Latin American and Caribbean countries are in the embryonic stages of competition. Markets are relatively informal, governments do not regularly enforce the laws requiring business to report their transactions, market

concentration is pronounced, innovation is perceived as risky by investors, and small firms have few chances to compete (Orozco 2004c).

In addition to the fees charged to send money, the exchange rate commission is a significant cost incurred by immigrants and their relatives. In some countries, particularly when foreign-currency crises or shortages in foreign currency occur, the commission may represent a large part of the cost, such as the case for remittances from the Dominican Republic to Haiti, Costa Rica to Nicaragua, Argentina to Bolivia, and Venezuela to Colombia (Fagen and Bump 2005). For example, costs to send remittances to Nicaragua from Costa Rica are about 10 percent (Orozco 2003a, 2003b). In addition to the problem of costs is the lack of consumer protection if senders or recipients face abusive practices by the intermediaries. In particular, in most of the Western Hemisphere there is no consumer-rights institution investigating sending or receiving money transfers.

Savings and credit: Banking the unbanked is also a serious challenge in Latin America. For example, less than 20 percent of Mexican adults have access to bank accounts. In most of the world, banks are reluctant to cultivate the poor as customers. There are many reasons for this dearth of banking the poor: relatively low profit margins, perceptions – often unrealistic – of risk, and a lack of government incentives or requirements. This general trend is exacerbated in Latin America, where banks traditionally concentrate on serving the agro-exporting elite, many of whom created their own banks. An Inter-American Development Bank study found that “financial markets are subdeveloped in Latin America and the blame goes beyond the history of inflation and financial instability. Weak institutions that support credit are also to blame.” In fact, the study maintains that less than 5 percent of small businesses receive loans from commercial banks. Even small savings and credit cooperatives and microfinance institutions that have emerged to fulfill the demand for financial services do not have a sufficiently comfortable portfolio: it is 1 percent below what commercial banks possess in Latin America (IPES 1999). The final result has been that average citizens, and especially those with low income, have not had access to financial services, nor have banks sought them out. In fact, the deficiencies in financial institutions constitute a principal source of inequality.

Turning to alternative banking financial institutions: As the marketplace for remittances gains attention from companies, governments, and development agents, financial intermediaries such as microfinance institutions (MFIs) are increasingly becoming subjects of attention due to their position as

financial agents with locations in areas where remittances arrive.⁵ These MFIs are identifying themselves as players in developing countries, which in turn can offer new financial products, including electronic cards.

The presence of MFIs in money transfers is growing around the world. In Latin America, there may be some 100 MFIs, each with a network of forty paying locales and the capacity to branch out in partnerships with other retailers. These institutions are seeking partnerships with money-transfer organizations that are low cost and are willing to work on financial service delivery. The end result is the penetration of a new player in the marketplace of remittance payment that also offers alternative banking services. As Table 16 shows, MFIs are offering remittance transfers and simultaneously seeking to bank individuals through the opening of savings accounts, as well as other products, including mortgage loans.

Table 15: Transformation Rate of Remittance Transfer Clients into Bank Clients

Institution	New accounts	Monthly transfers	Conversion rate
Salcaja	500	1000	50%
Red de la Gente	3500	35000	10%
Banco Solidario	4000	5000	80%
Fedecaces	4375	22000	20%
Guayacan	533	5426	10%
Coosadeco	529	4780	11%
Acacu	3000	2703	110%
Acocomet	800	2383	34%
El Comercio	80	800	10%

Source: Orozco, M. and E. Hamilton.

12. Conclusions and Recommendations

This paper has explored the various interactions between remittances, migrants, and economic impacts. The effect on development is also addressed within the various lines of analysis. Here we want to address the relationship between remittances and development policy.

The discussion of the development impact of remittances is sometimes obscured by assumptions about development and economic growth that are not necessarily accurate. For example, for many years some argued that remittances needed to have a productive use because consumption expenditure was assumed to be detrimental to growth. Regardless, no one provided a yardstick by which to measure what proportion of a person's income should be productive. There seemed to be an assumption that

⁵ See for example the latest issue of the newsletter MIGRANTRemittances, August 2005, 2(2).

remittance recipients have a higher propensity to consume, but in fact the opposite is true; remittance recipients save and invest more, and are more likely to have more bank accounts than non-recipients.

In practical terms, the social and productive base of an economy significantly defines the ways in which remittances will effectively function in that economy. Remittances need to be understood exactly as what they are: foreign savings. And as any other source of foreign savings, like aid, trade, or investment, remittances interact with the structure of the local economy. The extent to which that structure absorbs those savings is the first-order question for development practitioners. This means we need to analyze a local economy with regard to its productivity forces, what its efficiency level is, how modern it is, what level of diversification/concentration of production exists within various sectors, how entrepreneurship operates and is enabled, what technology tools exist or are missing, and to what extent the government provides an enabling environment to motivate an interaction between investment and production.

Performing such analysis will give cues about the extent to which a local economy provides substantive opportunities for the productive deployment of remittances. If an economy is unable to produce in a competitive context, its labor force will be depressed and eventually a portion will migrate to take care of their families. But even once they are away and send money, the families may only be able to do so much with that money insofar as the local economy provides an effective supply to the demand of services and products.

Consumers demand a range of commodities and services (economic and financial), and what they can obtain depends on the efficiency of market information and the responsiveness of businesses to their interests. Some of these interests involve savings, credit, and other financial services, but there are other interests such as basic consumption and investment in education and health. If the productive base of the local economy cannot provide for that demand, imports of goods will then ensue. None of this is a situation created by remittances, but rather by the structure of the local economy and its connection to the global context.

The development challenge for practitioners consists in enabling an environment in which remittances can have a transformative role in a local economy. How can policies leverage remittances to effectively and positively impact their absorption in the local economy and thus promote development? Once practitioners know how the productive base operates, policy intervention comes to play to alleviate failures or weaknesses of the local economy.

Within this context, there exist three areas of work for institutions working on economic development in Latin America. First, analysts need to integrate remittances within the economy of a country. This means exploring the interaction between the local productive base of an economy and the cause-and-effect roles of remittance and other migrant transfers. Second, it is important to explore the macroeconomic behavior of remittances, specifically their influence on productive engines like investment or trade. This means paying close attention to the effect that price increases, foreign exchange-rate fluctuations, interest rates, or unemployment have on remittance sending. Third, another macroeconomic analysis is required to determine the impact of remittances on growth. This is particularly important in those countries where remittances have a strong impact vis-à-vis national income.

Appendix

Data Methodology on Pricing

The methodology used to collect pricing information consists of calling or visiting MTOs in order to build pricing datasets. The datasets thus result from information about fees, foreign exchange charged as commission, interbank exchange rate, and other charges that could apply. Other data collected include mechanisms employed to make the transfer and geographic coverage of the company in the U.S., and the cost of sending the money in local or U.S. currency. Information is collected for costs of sending \$200, \$250, and \$300.

The transfer cost of a remittance is generally derived from the sum of the fee and the commission on the exchange rate. The commission is estimated from the spread between the interbank exchange rate reported by the Central Bank of each recipient country and the exchange rate reported by the MTO. $\text{Commission} = 1 - (\text{fx} / \text{interbank fx})$.

U.S. pricing data is collected for typical MTOs and include around sixty companies sending from the U.S. to fourteen Latin American and Caribbean countries. Data has also been collected for other countries in Southeast Asia using a similar methodology.

Pricing information for electronic card-based transfers included data from twenty companies. Not all were MTOs; some were typical store value-card companies offering remittance transfers. Research assistance in data compilation in June 2005 was made thanks to Rachel Fedewa and Patricia Jinich.

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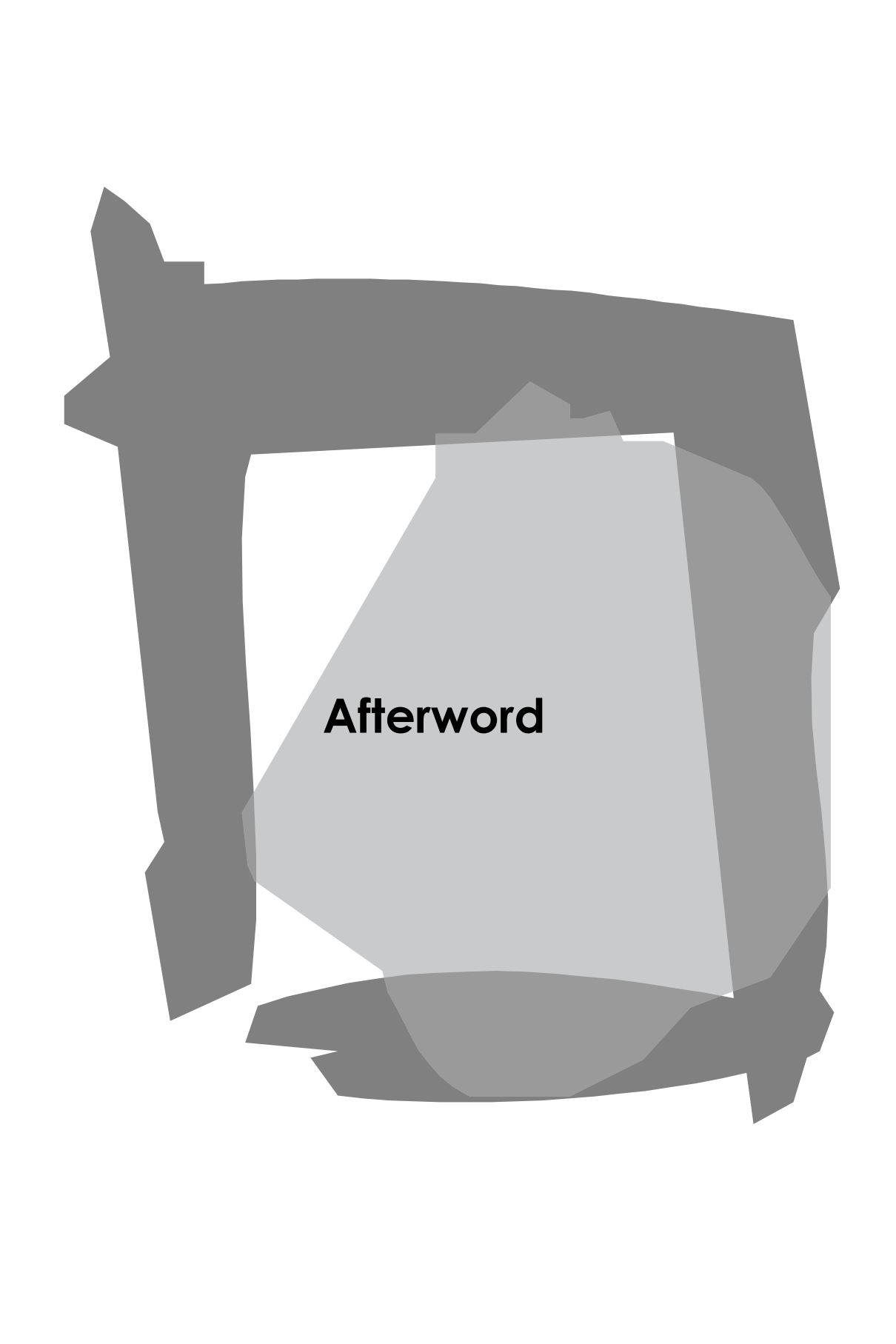
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Afterword

A Framework for Linking and Comparing the Development Impacts of Internal and International Migration in Research and Policy

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The chapters in this volume contribute to current rethinking of migration and development by considering the relationship between both internal and international migration and the livelihoods and economic circumstances of individuals, families, communities, and nations. Although researchers and policymakers have recently focused on the developmental benefits of international migration, internal migration merits attention as well. In many countries, particularly those undergoing a shift from rural to urban-based economies, the implications of internal migration for economic development are equally or more significant. There are also good reasons for considering both types of migration together. Internal and international migrations are frequently intertwined, with families moving and sharing resources within and across national borders. Internal and international migrants also sometimes converge in the same labor markets, creating competition and opportunities for employment for one another. As responses to common stimuli, such as economic change, processes of internal and international migration are in many ways similar, and comparison of their origins and outcomes can be mutually informative.

In considering how internal and international migration affect development, this volume goes beyond a strictly economic preoccupation with growth to adopt a multidisciplinary perspective. Some papers explore the influence that social, cultural, and political as well as economic factors have on consumption and investment, and others focus on a variety of aspects of development such as poverty, inequality, or family security. The authors consider the significance of family and social networks, ethnic and religious identities, communal solidarity and national identities, cultural and religious norms, legal and political statuses, and other aspects of migrants' lives that impinge upon and redefine developmental goals and outcomes. This approach broadens the meaning of development and suggests additional

goals and issues for policymakers to consider in seeking to enhance the contributions of migration to development.

In his essay on the connections between internal and international labor migration flows, Ronald Skeldon calls for the creation of a “single mobility framework” to orient future research and synthetic analyses. Yet despite the authors’ shared focus on migrant workers and remittances, the diversity in their theoretical, empirical, geographical, and practical perspectives makes synthesizing their research and findings a challenge. In the following pages, we point out useful linkages that can be found between the issues and perspectives raised in the individual chapters, and begin to outline an analytical framework that takes into account similarities and differences in migration and development processes, levels or scales of social organization, and geographies of origin and destination.

Our discussion begins with the papers that explore connections between internal and international migration and how they affect development in sending and receiving locations. Then we compare how internal and international migration affect development by examining these processes as they are presented by articles focused within the same national contexts. To draw out the implications that connections and comparisons between internal and international migration have for development, we link case studies focused on similar levels of social organization: migrant households, rural communities, urban centers, and nations. This same framework is then used to examine conceptual and methodological innovations that have resulted from the authors’ linking internal and international migration and to identify the different types of recommendations that the authors offer policymakers to enhance development. By distinguishing between different types of migration and development, areas of origin and reception, and levels of social organization, this framework facilitates a systematic reading of the volume’s essays that highlights insights and questions to guide future research agendas and to refine the design of policies to enhance migrants’ contributions to development.

1. Linkages between Internal and International Migration

In his broad overview of the connections between internal and international migration, Ronald Skeldon argues that both types of movement influence one another in various ways, but most notably in creating job openings that that attract new migration. Primarily citing examples from east and south Asia, he points out that movement within a country, from the countryside to cities, or from inland to coastal areas can enable migrants to gain access

to jobs, savings, and networks that facilitate subsequent migration abroad. In turn, like a siphon, these internal-to-international flows leave behind an employment vacuum that draws in replacement workers to fill the jobs that migrants leave behind. Such an effect can continue in countries of reception as the secondary migration of international migrants away from ports of entry creates openings for additional migrants from abroad. Further, the funds that overseas migrants send home to invest in businesses or to support family consumption can directly or indirectly increase demand for employment and stimulate further movement of workers. If labor within a country becomes scarce, local employers may recruit outside workers, with the result that a former migrant-sending country becomes a receiving one, as in the case of Taiwan and, more recently, South Korea.

Internal and international migration are also connected through ties between family members who migrate to different locations but continue to support one another. Defining development from the perspective of migrant actors whose goal is to promote joint family livelihoods, Norman Long describes how, over two and three generations, Peruvian families have adopted multi-sited and translocal strategies that connect their members between their original communities, urban centers within their home country, and cities abroad. In examining migrant networks between rural and urban Ghana and Amsterdam, Valentina Mazzucato and her research team discovered how much the security of network members depends on the exchange of resources between migrants based in multiple local and international sites. From the perspective of families and their extended networks, it matters less whether migration is internal or international than whether they can gain access to needed earnings and resources, and are able to share them in a timely and complementary manner so as secure their mutual welfare and generational reproduction.

Internal and international migrations are also linked through their combined, if somewhat different, effects on the development of migrants' home communities. Edward Taylor, Jorge Mora, Richard Adams, and Alejandro López-Feldman found, from a national household survey in Mexico, that 13 percent of rural per capita income is derived from remittances of internal and international migrants. Because U.S. employment is more highly remunerated, international migrants provided their households with remittances worth more than six times as much as those of internal migrants. While internal and international remittances both helped to alleviate poverty, the authors conclude that, because international remittances were based on a higher rate of pay, they also increased income inequality between international and internal migrant households.

Despite the monetary advantages of international migration, a greater percentage of rural household members migrated to work inside Mexico than internationally. One reason for this preference may be the initial unfamiliarity, cost, and difficulty that workers face in migrating to find a job in the United States, particularly if they had to do so illegally. Another consideration might be that local and international employment serve somewhat different but complementary family needs, including access to different types of resources as well as ease and frequency of contact between household members. Norman Long's ethnographic study of internal and international migrant Peruvian families found that internal remittances involve reciprocal exchanges of goods and money that are embedded in "complex interlocking livelihood arrangements" between dispersed family members. In one case, migrants in Lima met about half their subsistence requirements with food staples sent from the countryside, in exchange for which rural family members were sent processed foods, fertilizer, medicines, and other essentials. While international remittances may be of greater monetary value, the variety and density of local reciprocity may meet other important family needs and reinforce solidarity essential for security and reproduction.

Regardless, in Mexico Taylor and his co-researchers infer from regional variations in household data that the establishment of cross-border networks by a village's first international migrants can provide assistance and lower the cost of subsequent international travel by members of households with more limited resources. As participation in international migration has spread between households within a community, the income of relatively poorer families began to catch up with that of wealthier families, thus in the long term contributing to the reduction of both poverty and income inequality. But what impact the reduced cost and greater earnings potential of international migration has on internal migration is not clear. Is internal migration diminished by rural workers deciding to seek work in the United States, or are the two forms of migration different enough in their purposes and functions that both flows might expand at the same time? Whether internal and international flows complement or, over time, substitute for one another is an issue that would benefit from both comparative and interactive research on migrant households and sending communities.

Shifting the context from locations of origin to those of reception, the paper by Susan Carter and Richard Sutch offers another perspective on the relations between internal and international migration. Examining U.S. industrial labor markets at the beginning of the twentieth century, they found that both international and internal migrants were attracted to the relatively high-paying jobs offered in cities where large-scale industries

were expanding. That “flooding” of the labor market did not result in international migrants “crowding out” native-born workers, they suggest, may reflect not only an expanding labor market led by the introduction of more productive technologies and economies of scale, but also the consumer demand created by the addition of migrant workers to the local labor force. In this case, internal and international migration might be said to complement rather than displace one another. We will return to this case and the issue of complementarity when we consider comparisons between migrant receiving areas.

Finally, the political and legal criteria that distinguish migrants who cross national borders from those who do not may also obscure a basic similarity between them – that they are, as Skeldon puts it, only “different spatial responses” to the same processes. This is not to argue that there is a simple connection between economic development, social transformation, and migration. Rather, as individual migrants, their families, and communities exchange ideas, practices, and resources between sites of origin and destination, they influence and shape one another’s aspirations as well as their abilities to realize them. However differently they may manifest themselves and be linked in different times and places, internal and international migration, social transformation, and economic development seem to be interactive processes, and it is for this reason that Skeldon calls for them to be approached within “a single mobility framework.” Such a framework can facilitate understanding how the two forms of migration are linked and also provide the basis for insightful comparisons.

2. The Economic Impacts of Internal and International Migration

Although internal and international migration may be linked or affect one another, for the most part researchers seeking to assess the impact of migration on development have studied them separately. Despite this separation, which is reflected in most of the essays in this volume, there is much to be gained from considering how the perspectives and insights of studying one type of migration can be applied to research and understandings about the other. Here we draw together the perspectives and findings of researchers who have investigated the economic impacts of either internal or international labor migration on sending and receiving areas. With regard to sending areas, we focus on what studies of internal and international migration suggest about the economic contributions of remittances to rural families and communities. In receiving areas, we focus on what studies of internal and international migration can contribute to understanding urban industrial expansion. To highlight the ways in which research on internal and international migration can inform each other, we

frame this discussion by examining research that is similarly focused on the level of families, communities, and regions. While the research and analyses presented in this volume's different essays were not designed for the purpose of such comparisons, identifying mutually relevant perspectives suggests the kinds of issues and insights that might be pursued through intentionally comparative research in the future.

3.1 Impacts on Sending Locations

Although researchers investigating the impact of internal and international labor migration on development have focused on similar issues regarding the economic impacts of remittances sent home by workers, they have rarely drawn from one another's perspectives. Common issues include the impact of remittances used for purposes of consumption and investment, and the contexts within which one or the other can promote development. To consider different perspectives that research on internal and international migration can offer, we first examine what pairs of essays on internal and international migration in India and China suggest about the use of remittances by rural families and communities. We then turn to what a national-level study of remittances in Latin America and the Caribbean suggests regarding the market contexts that enable remittances to spur enterprise creation and growth.

What can researchers of internal and international migration contribute to one another's interpretations of the role of remittances in sustaining the consumption and livelihoods of rural families and communities? The chapters of Priya Deshingkar and Prema Kurien approach the issue of remittance-based consumption through research focused respectively on Indian internal and international migration. Both researchers examine migration that is short term or circular in that the migrants return home when their employment terminates – e.g., at the end of a season or an overseas contract – rather than settling permanently in the place of destination. Deshingkar focuses on rural workers who migrate in search of jobs in other rural and urban areas as a means of supplementing their agricultural livelihoods. She argues that circular migration, while not uniformly positive in outcome, enables a low estimate of thirty million poor people, particularly members of lower castes and scheduled tribes, to obtain earnings sufficient to escape poverty or at least somewhat improve their circumstances. Faced with high population density, a scarcity of cultivable land, inequitable land distribution, low agricultural productivity, frequent droughts, declining commodity prices linked to liberalized trade, and other problems, marginalized and landless farmers leave their villages for temporary employment in rural or urban jobs. These earnings enable

rural families to repay debts, satisfy consumption needs, and pay for festivals, marriages, and other ceremonies. Studies in different regions have found that migrant earnings can account for between 23 to 48 percent of household income. Migrants' earnings also enable household members to spend more on food than non-migrant households, sustain agricultural production, and sometimes to enlarge their assets, though meeting consumption needs seems to take priority over increasing productive capacity. Thus, in the absence of opportunities to diversify their incomes locally, Deshingkar argues that rural Indians are increasingly using circular migration to protect and sustain an increasingly difficult agricultural way of life.

To what extent does the beneficial impact of remittances in sustaining rural livelihoods depend on how they are shared and spent? Although Deshingkar's essay does not address this issue, Prema Kurien's essay on international migrants from Kerala State, who take short-term contracts or informal employment in the Persian Gulf, offers a helpful view regarding the importance of ethnicity. To understand the contributions of consumption based on remittances, Kurien examines how ethnic identities, norms, and relations lead families of different religions and occupations to adopt different patterns in distributing and spending remittances. Her research found that relatively poor and low-skilled Muslims, who had engaged in informal-sector employment overseas, supported religious activities and distributed their earnings widely throughout their entire village in a manner consistent with Islamic charity and communal solidarity. Hindus from a second village, who had been employed overseas as technicians, spent large sums on life-cycle rituals and entertainment within narrower extended family networks and with an eye toward improving familial status. Finally, Christians from a third village, who worked in semiprofessional positions overseas, tended to focus still more narrowly on the nuclear family and to invest their earnings for their children's future advancement – to finance dowries for daughters and professional education for sons. That ethnicity and occupation affect the extent to which international remittances are disbursed across a community, shared between extended family members, or kept within a nuclear family would seem equally relevant in determining the impact of the remittances of internal migrants in sustaining agricultural ways of life for the rural families and communities examined by Deshingkar. Kurien's broader argument, that understanding migration's impact on development requires taking into account socio-cultural as well as economic factors, also seems equally valid for internal as well as international migration. While the benefits of such an interdisciplinary perspective may seem evident in principal, Kurien points out that it is not always utilized in economic development research and policy making.

To promote rural development, must remittances be used for investment as well as consumption? Much of the research literature on remittances' contributions to development laments that remittances, whether from international or internal migration, are used more for consumption than investment. Why that seems to be so is not certain. Kurien suggests that families tend to view international earnings, because they are earned outside the context of the home society and at a relatively higher rate of pay, as "easy money" and, as a result, they are more likely to spend them on conspicuous consumption and lavish generosity than investment. This raises the question of whether remittances from internal migration may be treated similarly, when internal migrants are paid more than they would receive at home and their work takes place in a social context that seems removed from village life.

A different view, that remittances are likely to be used for productive investment after a family's basic consumption needs have been met, is to be found in Huang Ping and Zhan Shaohua's study of internal migration in China. The authors emphasize that rural-urban migration is taking place in China on a massive scale, the implication being that if the large amounts of remittances flowing to rural areas were used for investment they could make a significant impact on rural development. In the twenty-five years between 1978 and 2004, the share of China's population in cities rose from 17.9 percent to 41.8 percent. The number of rural laborers working outside their villages for more than three months each year reached at least 126 million in 2004. In the future, approximately twelve-thirteen million additional rural residents are expected to transfer permanently to urban areas annually.

The earnings that migrant workers return to their communities already play a significant role in reducing rural poverty. The number of impoverished rural residents plummeted from 250 million to 30 million between 1978 and 2000, though the incomes of 60 million rural residents are just above official poverty line. One study cited by the authors estimated that remittances of temporary and permanent migrant laborers totaled US\$40 billion in 2003 and contributed 18 percent of total rural income, a level of support somewhat greater than that reported by Taylor et al. for Mexican rural households, but proportionally less than that reported for Indian communities in studies cited by Deshingkar.

Because most internal remittances are used for consumption rather than investment in productive enterprises, Huang and Zhan are concerned that they have not been put to "effective and rational use in promoting rural development." There are no national data on how remittances are used,

but case studies, including that of one of the authors, indicate that most remittances are used to pay for daily living expenses, housing, compulsory educational fees, health care, and festivals. Despite indications that some portion of remittances is invested in agriculture, husbandry, fishing, and forestry, researchers and policymakers hoping that migrants would develop businesses on the basis of new ideas, skills, and savings derived from urban employment have been disappointed. A major reason that remittances go largely to consumption, the authors contend, is that the costs of rural education, health, and government administration have risen since the beginning of rural reforms in 1978, when central government subsidies for these services were cut off. As a result, increases in rural incomes from remittances have had to be spent on basic expenses, and the accumulation of surplus savings necessary for investment has not been feasible for low-income rural families.

The issue is complicated by the difficulty of distinguishing the nature and impacts of consumption from investment. In analyzing the uses and impacts of international remittances sent home to forty villages in Fujian Province near the city of Fuzhou, Zai Liang and Hideki Morooka provide a different view, suggesting that consumption and investment are not easily separable and that can both contribute to development, depending on linkages between the local and regional economy. The authors found that over 80 percent of migrants sent remittances to pay for the family's daily living expenses, including the care of children and the elderly, the maintenance of ancestral graves, and the construction of new houses. Less than 3 percent of emigrants sent remittances for business purposes. However, they also found that just over 10 percent of migrants donated funds to support public projects that enhanced educational institutions, trained the future workforce, and created physical infrastructure, all of which contribute to economic development. Perhaps as a reflection of strong communal solidarity, migrants from remote agricultural villages seemed most likely to increase their support for public projects once they had paid off large debts incurred in being smuggled illegally into the United States. A small minority of international migrants joined together to invest in businesses outside of their local communities. These enterprises included office and residential buildings, steel mills, brick factories, and real estate, which contributed to, and benefited from, the coastal industrialization that has been leading much of China's overall economic growth. Although remittances entered the regional markets through different types and proportions of consumption and investment, the authors suggest that they all produced multiplier effects and contributed to development as they spread through local and regional markets. However, the integration of local and regional markets in the Fuzhou area is related to the central government's overall

development strategy of long-term infrastructural investment in coastal industrialization, and such linkages are not generally found in the rural areas to which migrants send remittances.

While these studies of internal and international migration in India and China concentrate on the effects of migrants' earnings on families, communities, and surrounding regions, Manuel Orozco focuses on the economic contributions of remittances within a broader national context. Orozco argues that, whether used for consumption or investment, expenditures of remittances increase spending and financial flows, generate multiplier effects in local and national markets, and contribute to economic expansion. Further, he finds that international remittance flows tend to be counter-cyclical in that, during global economic downturns, migrants have continued to send or even increased the amount of remittances, thus contributing to both their families' and their home countries' economic stability.

In taking a national perspective, Orozco views remittances as just one of a number of economic activities related to international migration that affect economic growth. These additional activities, which he calls "the five Ts," include transfers, telecommunications, transportation, tourism and trade. As remittances to Latin America and the Caribbean grew from \$3 billion in 1980 to \$45 billion in 2004, so too did the fees that transfer agencies and governments charged for sending migrants' money home and converting it into local currencies. In 2004, transfer fees ranged from under 5 percent to more than 15 percent of the amount being sent and exchange commissions ranged from less than 1 percent to almost 40 percent. While both fees reduced the remittances to recipients in rural areas, they did contribute in varying degrees to the balance of payments and financial capital within different national economies. Similarly, the telephone calls and return visits that migrants make back to their homeland have contributed substantial revenues to the growth of telephone and airline companies, some of which are based in the sending countries. Overseas migrants also comprise a growing portion of the tourists who visit Latin American and Caribbean countries, and their expenditures support hotels, entertainment, restaurants, and other local businesses. Finally, the demand of migrants overseas for "nostalgic" consumption of traditional foods, clothes, and other cultural goods has stimulated the production and export of goods produced back home. In other words, remittances account for only part of the economic activities and growth generated by international migration. While internal migration may not foster the same five Ts to an equal extent, it would seem that research to determine the economic impacts of internal migration

would do well to examine how various economic activities related to internal migration complement the contributions of remittances.

2.2 Impacts on Receiving Locations

Two articles in this volume examine the impact that migrants have on the economies of the urban centers where they settle. Cai Fang and Wang Dewen focus on internal rural–urban migration in contemporary China while Susan Carter and Richard Sutch focus on the entry of international migrants into industrial labor markets of the United States in the early twentieth century. Both essays deal with urban labor markets during periods of urbanization and industrialization. While both argue that labor migration contributes to economic growth, this process is taking place in China during a shift from a command to a market economy, while in the United States the existing market economy was facilitating the growth of large-scale industries, many of which sought to establish market monopolies.

Cai Fang and Wang Dewen have calculated that internal migration and urbanization are the source of as much as 20.2 percent of China's industrialization and rapid economic expansion since 1978, and they argue that the transfer of rural workers to urban areas should continue in order to assure future economic development. Migration provides the necessary labor force and urbanization facilitates the aggregation of resources and economies of scale that enable industrial enterprises to increase productivity and per capita GDP. Although 41.8 percent of the nation's population has already become urban, Cai and Wang conclude from the experiences of other middle-income countries that a 67 percent level of urbanization may be necessary for China to reach its production goal of \$3,000 per capita GDP by 2020.

Major obstacles to China's economic growth, they contend, are restrictions on internal migration and on migrant workers' access to jobs in state-owned enterprises, both aspects of China's earlier planned development policy of promoting industrialization on the basis of agricultural surpluses. The *hukou* system controlled where workers could reside and obtain access to food rations and public services. Although in switching to a market economy national reforms have eliminated some *hukou* restrictions, particularly in small cities, they tend to remain in force in larger cities where state enterprises remain important employers of local residents. As a result, although rural workers can now migrate to all cities, many face a segregated labor market in which they have severely limited access to well-paid or secure employment. Instead they compete for low-paying jobs in

the informal sector – particularly manufacturing, services, and construction – where work is dangerous, dirty, and low paid. In addition, rural migrants are generally still not eligible for work-place and state-sponsored social security protections, including membership in labor organizations, old-age pensions, health care insurance, and public education. In other words, Cai and Wang claim, “There is severe discrimination against rural workers in urban labor markets.”

Neoclassical economic theory predicts that increased labor mobility and rural–urban migration should narrow regional and rural–urban disparities, but in China the reverse has happened, with both rural–urban and regional income inequality growing over the last two decades. Cai and Wang argue that this is because *hukou* reforms remain incomplete. But they also recognize that reform may expose urban workers in protected state enterprises to labor market competition and that this prospect discourages urban governments, who put priority on maintaining low unemployment and social stability, from pursuing reform. Cai and Wang do not explain by what mechanisms they expect further *hukou* reforms will reduce income disparities between rural migrants and urban workers. Their economic model predicts that the growth of efficient private-sector industries will increase per capita productivity and permit wage increases for rural workers, but it also suggests that eliminating public-sector job protections of urban workers could increase competition in the private sector that, without unions or state controls, could reduce the wages of urban workers to levels comparable to those of rural migrant workers. The general equilibrium model that they cite does not make clear how or when wages are likely to rise or fall.

Further insight into these dynamics might be drawn from Susan Carter and Richard Sutch’s study of migration to industrial labor markets in the United States, though their data permits them only to consider employment rather than wages. To determine what impact migration had on U.S. urban labor markets at the beginning of the twentieth century, they refine the “textbook” model to take into account the effects of migrant laborers, consumption demands, increased industrial productivity, and interactive effects between markets. They conclude that immigration can contribute to economic expansion and to increases in employment and, by implication, wages as well. The historical American case may be particularly relevant to that of contemporary China because both involve periods of great industrial expansion, high rates of urbanization, and potential competition between migrant workers and urban workers already living and employed in the cities of migrant destination.

Carter and Sutch challenge the argument advanced by restrictionists in contemporary U.S. immigration debates that immigrants compete with native-born workers, drive down wages, cause unemployment, and “crowd out” native workers who then flee to other labor markets. The labor market model on which such arguments are based, they point out, assumes that labor markets are “static.” It assumes, for example, that market demand for industrial products, and thus for increased production and additional labor, is not augmented by the demand for consumption created by immigrant employment; that expansion in production in one urban center will not stimulate trade and demand, and demand for workers in others; and that the availability of immigrant labor will not stimulate new investments in industrial expansion or in the adoption of more productive technologies. In contrast, Carter and Sutch’s empirical analysis of U.S. county-level census data between 1900 and 1910 found that the urban centers in which international migrants were most concentrated in proportion to native-born workers were also those to which native-born workers migrated as well. That is, both immigrant and native workers poured into the same high-wage regions where the classic labor market model would predict that immigrants would have the most adverse effect on native employment.

These historical findings lead Carter and Sutch to modify the classic labor market model to reflect the dynamic relation between migrant labor and industrial growth within an open economy. In so doing, they conclude that, when immigrants are attracted to high-wage areas of industrial expansion, their arrival may indeed lessen the rate of growth in both the demand for workers and in wage increases, but that this tendency is counteracted by the effect of growing consumption by newly employed immigrant workers on demand for goods and increased employment. Further, they argue that, to the extent that immigration allows employers to exploit new economies of scale and adopt more productive technologies, the result can be increased wages for all workers.

Might the open and dynamic labor market model from the historical U.S. case be useful in identifying how, with continuing reforms, rural migrants will affect contemporary China’s urban workers and industrial expansion? One of the most important positive impacts of immigrant workers in the United States was that their arrival increased the demand for industrial goods. But does the relocation of rural workers to urban centers have the same effect? While rural–urban migrants increase the demand for food, housing, education, and other services in urban centers, their departure from rural areas would seem to reduce demand for similar goods and services in the countryside, perhaps with little net effect on demand. To

the extent that rural migrants send remittances back to the countryside and increase consumption there, Huang and Zhan point out, they reduce their own consumption in cities, sometimes to poverty levels, which would then decrease urban demand. In contrast, international migration adds to demand within a national economy without the reallocation between rural and urban areas associated with internal migration. If so, then the contribution of internal migration in China to economic growth would take place more through migrants, employment in productive work than through growing consumer demand, in contrast to industrial expansion that took place in the United States, which was based on international as well as internal migration.

A related question is whether urbanization in China will facilitate economies of scale and increase productivity so as to enable both rural migrants and urban workers to increase their earnings. Cai and Wang contend that *hukou* restrictions and monopolistic public enterprises create labor market segmentation and severe discrimination, which keep rural migrants from access to the same jobs, wages, and standard of living as urban workers. Although Carter and Sutch do not discuss labor-market segmentation and discrimination in U.S. industries, the history of the U.S. labor and civil rights movements suggests that, even with the dismantling of legal institutional discrimination, minority populations continue to be excluded from jobs by socially driven discrimination. The U.S. case suggests that assuring that rural migrants have access to the same jobs and incomes of urban workers could require political and social interventions against employment discrimination that go beyond the legal elimination of *hukou* and job restrictions.

To the extent that the essays in this volume may reflect the wider research literatures on the economic impacts of internal and international migration, it seems that differences in analytic perspectives are less the result of inherent differences between internal and international migration than of a separation between the two sub-fields of research. Comparing research on internal and international migration on the level of families, communities, regions, and nations has helped to identify ways in which the two literatures can inform one another.

3. Concepts and Methods of Research and Analysis

Bringing together the study of internal and international migration can lead not only to the sharing of different perspectives but also to the creation of new analytical concepts and research methods. While the essays of Norman Long and Valentina Mazzucato both focus on the ways in which family

networks combine internal and international migrants, Long explores the conceptual implications of doing so while Mazzucato examines the implications for conducting research. The chapters of Edward Taylor, Jorge Mora, Richard Adams, and Alejandro López-Feldman and of Carter and Sutch introduce an approach to comparative historical analyses based on similar developmental stages, rather than on chronological simultaneity, in the evolving relationship between migration and development.

Adopting an “actor-oriented perspective” leads Norman Long to doubt the utility of categorical distinctions between internal and international or permanent and temporary migration. Through multi-generational ethnographic research Long found that the primary goal of migration by migrant family members is to secure and advance their interconnected livelihoods by gaining access to resources in their original rural highland communities, coastal cities, or urban centers abroad. Categorizing such movements as distinct, despite their common goal, tends to “segment and obscure the kinds of cross-generational relations that link different family branches and individuals engaged in migratory experiences at different stages of their lives.” From the perspective of migrant family members, he says, “There is no great ontological divide between those living ‘at home’, or in some ‘distant city’ or ‘transnational world.’ Indeed their life courses intersect through the translocal dynamics of familial reproduction and change.” Instead, he concludes, “we might do better to explore migration flows and patterns of geographic mobility from the standpoint of how they relate to the reproduction or transformation of family and community livelihood strategies and the kinds of social identities or ‘belongingness’ they generate.” Long calls for the elaboration of a vocabulary and research methods that can capture the interconnected lives of people who both stay at home and are “on-the-move” within a globalizing world.

To capture relations between the far-flung members of internal and international migrant networks, Valentian Mazzucato designed a “simultaneous matched sample” research method. By posting researchers simultaneously in rural Ghana, the capital of Accra, and the Netherlands, she and her team were able to record exchanges of information and resources that created and sustained “mutual insurance contracts,” which helped to secure their livelihoods. That is to say, when network members at any of these locations encountered unexpected adversity or costs beyond their means, they could depend on one another for financial, material, social, and emotional support. Contrary to the emphasis that current research places on the one-way flow of remittances from migrants back to those at home, this research revealed that mutual assistance flowed back and forth between the rural, urban, and overseas locations. By examining engagements between

network members across different sites simultaneously, she contends, researchers can determine not only what causes “linkages between dispersed people to tighten, new livelihood opportunities to emerge, social institutions to change, and hybrid identities to develop” but also how these dynamics “have led to qualitative differences in how migrants, the cities in which they live, and their home communities are impacted by migration.”

Connecting migration and development has also led to innovative analytic strategies that employ historical comparisons to assess the effects of migration on income, employment, and economic growth. Exploring how the process of migration begins and expands over time, Taylor, Mora, Adams, and López-Feldman interpret differences in the contemporary levels of migration found in villages and regions of rural Mexico in 2003 as a “proxy for migration histories.” Susan Carter and Richard Sutch examine migration data from the beginning of the twentieth century in order to refine a model of labor markets central to contemporary debates over the impact of immigration on the employment of native-born workers at the beginning of the twenty-first century. And Cai and Wang use contemporary levels of urbanization in the world’s most productive economies as a standard with which to orient China’s migration and urbanization policies to maximize productivity and economic growth in the future.

While Mazzucato’s “simultaneous matched sample” is designed to capture ongoing relations between international and local members of social networks, the cross-temporal comparisons employed by Taylor et al., Carter and Sutch, and Cai and Wang seem to share the assumption that linkages between internal and international migration flows that take place in different places or time periods – within villages and regions, between rural and urban areas, and across local and international boundaries – are similar enough in their origins and stages of progression to warrant comparisons based on processual similarities. If so, then researchers might employ comparisons to address not only how relations between migration and development begin and evolve but also about how they come to an end. Do past histories indicate at what stage of development contemporary migration from rural sending areas into urban areas, internally or internationally, will cease or even reverse? Are economies in different parts of the world and at different levels of development likely to go through the same stages of emigration, industrialization, and immigration as many nineteenth to twentieth century European countries? Is this development path altered for sending and receiving countries whose economies and industrialization are today linked by international migration in the context of globalized markets?

4. Policy Implications

What implications does the bringing together of internal and international migration have for development policies? In justifying the elaboration of a “single mobility framework,” Ronald Skeldon points to the penetration of outside forces of economic modernization or of development itself as a source of common motive for both types of migration. From this perspective, internal and international migration represent “different spatial responses” to the same forces. This is not to argue that there are no significant differences between internal and international migration, but rather that such differences may largely be the result of migrants’ moving into different political spaces where differences in governance affect their legal statuses and access to economic opportunities. Designing policies to promote the developmental contributions of migration should then take into account political regimes that determine access to citizenship and other rights, legislation to control the flows of migrants, and administrative regulations by which population management is implemented. Also relevant are the interventions and regulations of intergovernmental bodies and international nongovernmental organizations ranging from the recently created Global Forum on Migration and Development to migrant workers’ hometown associations. In considering the impact of such institutional policy efforts to manage migration and development, we need to take into account not only how different policies intended to manage migration can affect development but also how different development policies can affect migration flows.

While adopting such a broad scope might be useful in framing a comprehensive review of migration and development policymaking, we restrict the discussion here to the policy issues raised by the authors on the basis of their research on labor migration and remittances. A reading of the policy implications and recommendations discussed in the essays suggests that there are some general policy principles that can be applied to both internal and international migration. But the research cited also suggests that specific policy refinements ought to distinguish between sending and receiving locations and between the levels of family, community, region, and nation, whose interests may not be congruent and at times even conflict. In addressing such issues, the authors connect their research to policymaking in different ways: descriptively by assessing the impact of existing policies, analytically by explaining what factors guide policy formation, and prescriptively by giving advice about how to attain certain development goals. In discussing the authors’ thoughts about the policy implications of their research, we will take these different dimensions of geography, social scale, and goals into account, considering first policies toward sending locations and then receiving locations.

4.1 Policies for Development in Sending Locations

Whether the common motivation of internal and international migrants implies that there are also some principles that can guide policies to enhance the contribution of remittances to the development of sending locations is a question most explicitly addressed by Taylor, Mora, Adams, and López-Feldman, who focus on the alleviation of poverty and income disparities between households, communities, and regions of rural Mexico. They find that the effects of remittances from both internal and international migrants, especially the latter, increase over time as rural “economies become more integrated with migrant labor markets.” From this finding, they conclude generally that “policies that restrict migration increase poverty.” Conversely, they say, policies that “promote remittances or enhance remittance multipliers” can reduce poverty and inequality, especially in regions with the highest levels of migration.

These authors do not specify what policy measures they might have in mind but others make recommendations aimed at regulating internal and international migration and promoting development on community and national levels. In considering policies to promote the developmental impacts of internal migration, Priya Deshingkar’s research on circular rural migration in India and Huang Ping and Zhan Shaohua’s research on short- and long-term rural migrants in China make clear that the earnings that migrants send or bring back home can comprise a significant portion of rural household incomes and can reduce or eliminate poverty by paying for living expenses. But because the researchers are working in quite different policy contexts, the development goals and policies that they advocate are somewhat different.

According to Deshingkar, current policies to reduce poverty in rural India focus on creating rural employment. In her view, this strategy reflects faulty data and urban and middle-class bias against illiterate, poor, and lower-caste people. Its mistaken goal, she argues, is to keep rural people from seeking employment in urban areas. Alternatively, she proposes that migration out of villages for temporary agricultural or urban employment should be recognized and supported for its contribution in reducing rural poverty and in developing marginal areas of low agricultural productivity. Rather than discourage temporary urban employment, she proposes that “the government urgently needs to take steps to make it a more remunerative and less painful process for the poor.” Local city governments should reverse their hostile policies toward migrant labor and increase their protection of migrant workers from abusive conditions, particularly of women and children, who are particularly vulnerable to exploitation. The national

government should improve migrant workers' access to "pro-poor" social programs including grain distribution, hospital care, and education. She adds that the government should improve postal services to address the risks, delays, and costs that migrants face in sending money home. While Deshingkar recognizes the importance and difficulties of increasing agricultural productivity, the main purpose of short-term migration policies is to sustain rural incomes and consumption. By permitting urban employment, protecting workers, and reducing migrants' costs, Deshingkar says the government would enable rural populations to "keep options open in their villages."

In contrast to India, China's national government has embraced rural-urban migration as a means of promoting urbanization and economic growth. Huang and Zhan advocate for policies that will enable this process to promote rural as well as urban development and to reduce the income gap between rural and urban sectors. While they recognize that migrant workers' remittances increase consumption and improve the standard of living of rural households, they question whether remittances are "put to effective and rational use in promoting rural development." To "liberate" remittances from consumption and channel them more effectively into rural development, they argue that the national government should increase its subsidies for education, health care, and local government administration, the costs of which currently absorb much of the remittances received by rural families. To enable rural families to invest the resulting savings in agricultural or non-agricultural enterprises, the authors draw attention to the need for reform of bank loan policies, which currently accept rural deposits but offer loans only in urban areas. To improve the lot of urban migrant workers who are forced into impoverishment and squalor as a result of sending remittances back home, the authors call for an expansion of recently initiated government training programs that can help migrants find better-paying jobs and adjust to urban living. They also call for government support of independently organized programs that bolster workers' self-help efforts to strengthen rural-urban networks and integrated rural-urban development projects. Whereas in India Deshingkar's policy recommendations to the India government are aimed at increasing consumption to sustain rural livelihoods, Huang and Zhan's recommendations for subsidizing rural services and credit, and supporting self-help efforts in China, are aimed at encouraging the investment of migrants' earnings in productive enterprises.

The authors who examine the development contributions of international remittances to sending areas similarly focus on the use of remittances for consumption or investment, their impact on both rural and urban

development, and the role of government development policies. In examining the effect of international remittances on three Kerala villages, Prema Kurien offers two cautionary ethnographic insights to policymakers who have expected international earnings would take Kerala on “an unconventional path to development.” First, in contrast to locally earned wages, earnings obtained in relatively well-paying jobs overseas are more likely to be seen as a “windfall income” and thus more likely to be spent on “conspicuous consumption and lavish generosity” than in productive investment. Second, “there is no generic migrant.” Instead, migrant families spend remittances in various ways for different purposes depending on their distinctive ethnic and community contexts. Policymakers may prefer that migrant families channel remittances into investment rather than consumption, but Kurien stresses that socio-cultural context will affect the ways in which migrant families actually choose to spend their money.

In assessing the role of international remittances in the development of sending communities of Fujian Province, Zai Liang and Hideki Morooka found that families who receive remittances allocate by far the largest portion to consumption and a smaller, but not insignificant, amount to investment in village projects and infrastructure. However, they challenge the assumption that consumption makes less of a contribution to development than productive investments and point to the indirect impact of local expenditures, particularly for housing construction, that have a multiplier effect. Given the large amount and positive impact of international remittances coming to the region, their policy recommendations are for national and local governments to enhance public infrastructure, assure the availability of finance to entrepreneurs, and then, basically, to get out of the way and let the flow of remittances have their effect. They expect that the combination of government infrastructure and private remittances will perpetuate a development process that began in the nineteenth century emigration and was advanced twenty-five years ago by the government policies to attract foreign investment for Fujian’s industrialization.

Manuel Orozco points to the importance that national economic context can also have in determining whether remittances can promote development. In comparing Latin America and the Caribbean countries where remittances appear to have strong, medium, or low impacts on development, Orozco suggests that debates over whether remittances should be used for consumption or investment may obscure the more fundamental issue of the extent to which a local economy can provide substantive opportunities for investment or respond to increased demands for commodities and financial services. Without prescribing particular policies, he argues, the

challenge for development practitioners is to design measures that will alleviate weaknesses in a local economy and facilitate the absorption of remittances so that their expenditure or investment can play a transformative developmental role.

4.2. Policies for Development in Receiving Areas

The papers by Cai Fang and Wang Dewen on China and by Susan Carter and Richard Sutch on the United States are written to inform debates over policies that restrict the entry of internal and international migrant workers into urban labor markets. In the context of China's industrialization and transition from a planned to a market economy, Cai and Wang advocate for the abolition of both migration restrictions imposed by the *hukou* system and state monopolies, which give discriminatory protection to the employment of urban workers. While Carter and Sutch's research focuses on the entry of migrant workers into U.S. urban labor markets, also during a historical period of industrial expansion, their analysis is intended to inform contemporary debates about immigration restrictions that are partly based on the belief that immigrant employment adversely affects native workers. Both analyses contend that measures to restrict the entry of migrant workers into urban and industrial labor markets are either unnecessary or counterproductive. Rather than adversely affecting urban employment, they contend, migrant workers contribute to urbanization and facilitate technological innovation and economies of scale in production, contributing to an increase in consumer demands and economic expansion that will increase employment and raise wages.

However mutually informative one might find the economic models or empirical examples of contemporary China and early twentieth century United States, both papers leave somewhat uncertain the relationship of migration to industrial development during different phases of economic cycles. Both case studies find that that migration provides labor power that furthers industrial growth. But does labor migration always make a positive contribution? The period of rapid U.S. industrial expansion considered by Carter and Sutch ended with the economic depression and massive unemployment of the 1930s. It seems unlikely that increased immigration, which was in fact cut off by the 1924 Immigration Act, would have had a positive impact on employment and growth during this period of decline. This raises the question of the point in an economic cycle at which tightening or loosening restrictions on immigration might precipitate labor shortages or surpluses. Of course, even if such market timing were possible, the decision to intervene would reflect a political choice rather than an insight drawn from research and analysis.

5. Conclusion

Framing the research findings of this volume's essays within different levels of social organization and different spheres of social and political geography has clarified some relations between labor migration, remittances, and development, and raised questions about others for future research. We summarize below some of the insights gained in relation to sending and receiving areas, point toward potential contributions this approach can make in linking research to policy, and consider the prospects for using a similar framework to explore relations between other types of migration and development.

The essays in this volume make clear that the livelihoods of many rural families and communities depend on both internal and international migration. Although both types of migration seem to provide access to work that can raise incomes and reduce poverty, international migration seems to offer considerably higher levels of remuneration. Why is it then that most migrants move internally? One explanation, suggested by the analysis of Taylor et al., is that local migration is easier and that pioneers must establish networks and access to employment that can reduce risks and costs before others will cross international borders. This interpretation is consistent with Skeldon's observation that emigration from rural sending areas to local and then international cities and on to locations of secondary settlement is a chain process, that generates a series of employment opportunities for further waves of internal and international migrants.

Does this mean that the relative economic advantages of international migration will eventually displace internal migration? Norman Long's and Valentina Mazzucato's research offers another consideration: that the engagement of extended family networks in both internal and international migration can provide access to different opportunities and resources, and thus spread and balance the risks and costs of migration. A diversity of employment niches enables each network member to fulfill complementary functions in relation to household security and reproduction, suggesting that international migration may complement rather than displace internal migration. In addition, Prema Kurien reminds us that ethnicity imposes communal norms and obligations that can shape the migratory goals and behavior of individuals and their families. But it is not clear how relationships between internal and international migration might evolve as succeeding generations of migrant families become separated from their agricultural origins and more fully integrated into commercial labor markets and societies where nuclear family structure predominates. Future research on the evolution of local and transnational networks that link family and

community members could help to clarify the dynamics of interrelations between internal and international migration.

All the essays in this volume report that recipients of remittances use them primarily for consumption. While remittances can help rural families and communities to raise their standard of living and reduce inequality, there is uncertainty about whether and how remittances might promote rural development that would close the gap of inequality between rural and urban areas. Must remittances be invested in productive enterprise to have such an impact? Zai and Hideki's discussion of China, and Orozco's of Latin America and the Caribbean, contend that the multiplier effect of consumption spending can increase local sales, contribute to employment, create opportunities for savings, and foster investment. However, local inflation resulting from increases in remittance spending might offset some of these gains in income. The greatest positive impacts resulting from this chain of expenditures may also be realized in urban areas to which workers migrate, where consumer goods are produced and distributed, rather than in the rural areas to which migrant workers send remittances.

One of the structural conditions underlying the sequence of connections between rural-to-urban-to-international migration is that each step in this sequence is to a destination that offers to greater economic advantages, particularly higher wage rates, than the areas left behind. This structural imbalance motivates migrants and enables them to transfer home greater earnings than could be obtained at home. But migration also transfers resources and contributes to economic development in receiving areas. Not only do family members left at home sometimes send support to migrants who are away, as Long and Mazzucato describe, but also, as Carter and Sutch point out, migrant workers bring with them the embodied costs of their upbringing and education that prepare them for employment at no cost to the receiving society.

But to what extent do migrant workers contribute to as well as benefit from industrial expansion in places of reception? The two cases provided in this volume, of internal and international migration to urban centers within China and to the United States, each take place during periods of industrial expansion and increasing demand for workers. Susan Carter and Richard Sutch argue that the presence of immigrant workers can stimulate investors to create or upgrade productive enterprises, and that their consumption of goods subsequent to employment can increase demands that will promote a further expansion in production. Research that compares the impact of international migrant workers during times of economic contraction as well as expansion might be helpful to immigration policymakers who seek to

regulate their impact on native-born workers. But at the same time, attention should be given to the impact that regulating international migration has on employment and economic growth in international migrants' home countries. But, regardless of whether immigration restrictions can be fine-tuned to complement short-term economic cycles, there does seem to be a long-term self-regulating relationship between migration and development. At some point, the demand for workers in countries of emigration seems to exceed the available labor supply and eventually results in a reverse net flow of return migration or immigration from other countries. While none of the papers in this volume examine such transitions, their impact on migration and development in the context of increasingly integrated global markets of labor and production seem an important topic for future research and policy.

Although we have framed the research presented in this volume in relation to the authors' focus on familial, communal, regional, and national and international levels, tracking the bi-directional flows of migrants, money, and other supports makes clear that they cut across and connect these different levels of social organization. Broadening understandings of the relation between migration and development will require research and analysis that focuses on the dynamics of those interconnections and the economic and social transformations that result. That family livelihood strategies, the expansion and contraction of rural communities, urbanization and industrialization, and the international flows of migrants and remittances all significantly affect one seems clear enough from existing research, but we lack understandings of these dynamics that are adequate to guide policymakers in promoting their positive effects on development. Significant questions include: Does the attachment of internal and international migrants to sustaining their families' and communities' rural livelihoods benefit from or conflict with the processes of urbanization and industrial growth? Do the migration of labor and transfer of remittances back home have a significant role in promoting economic development, or do they only help to mitigate the hardships and inequities of developmental processes beyond migrants' influence?

Our focus on the relation between internal and international migration with development has been somewhat narrowly limited to migrant workers and remittances. A more comprehensive understanding of migration and development would require consideration of additional types of migrants (e.g., technicians, professionals, and entrepreneurs, or tourists, refugees, and the military) and the developmental implications of additional types of tangible and intangible resource transfers (e.g., skills, technology, social norms, political beliefs, economic institutions, and goals for development

itself). While research and analysis of the connections between internal and international remittances seems important for understanding how labor migration affects development, whether understandings of other forms of migration and resource transfers can equally benefit from being framed within the same geographic spheres and levels of social organization is not entirely obvious. The combined findings of the chapters in this volume suggest that exploring these possibilities could be of benefit to policymakers in promoting development.

Development is often referred to in terms of “hard” economic measures such as income growth and increases in GNP, but a broader understanding of development that goes beyond growth rates is needed to get at other important issues, including how migration can contribute to poverty alleviation, the stability of poor families, or the sustainability of vulnerable communities. In fact, the implications of increases in income for economic inequality and growth can be quite different, depending on whether they are viewed within communities, across rural–urban regions, or within a national aggregate. Such issues require consideration not only of the aspects of well-being that can be measured in monetary terms, but also in terms of access to goods and services ranging from bank credit to healthcare and education or to opportunities for employment.

In the end, one might argue, changes in the nature of production and the engagement of labor almost always involve some kind of movement of people, and the scope of our definitions of both migration and development, and our interpretation of the relationship between them, must depend on the particular problem to be investigated and the boundaries and borders that become meaningful in that context. Nonetheless, the essays in this volume have confirmed, in different ways, that bridging the division typically made in research and policymaking between internal and international migration can be helpful in revealing the links and commonalities between the two types of migration and their implications for development.



IOM International Organization for Migration