

Authors

Rohit Nainpally

Researchers

Gharad Bryan

London School of Economics and Political Science

Shyamal Chowdhury

University of Sydney

Mushfiq Mobarak

Yale University

Migration As Development: Early Evidence From Bangladesh

David McKenzie presents the results from a poll amongst young development economists, who were asked about what they view as the most under-researched area in development:

IPA actually has a research initiative devoted to the issue that ranks highest on that scale, that of Small and Medium Enterprises (read more about it here).

Migration is fairly high up on that list as well. IPA-affiliated Yale SOM professor Mushfiq Mobarak has conducted a fair amount of research in this area, with some interesting results. He recently presented some of these findings at IPA (details can be found here or here; I encourage you to click through if the link between migration and development is one that even remotely interests you). A snippet:

We find that seasonal out-migration has large causal benefits for Monga-prone households [the Monga season is the famine season in Bangladesh]. In response to the \$8 cash grant or loan, the migration rate increased from 34% in control villages to 57% in treatment (incentive) villages. Total expenditures, food expenditures, and caloric intake increase by 30-35%. Monthly consumption increased by at \$15/household. Caloric intake increased by 700 calories per person per day. Most strikingly, a year after the treatment (during the next Monga season), migration rate in treatment villages continue to be significantly higher (47% to 35%), even after inducement is removed. Those who were successful appear to have learnt, and voluntarily re-migrate.

The link goes into hypotheses on why more people do not migrate, given these findings, as well as policy prescriptions that may follow. A number of questions follow as well; one that I had concerned the macro effects of migration. The impacts measured in Prof. Mobarak's study focused solely on the migrants and their families, without looking at impacts on residents of areas to which migration is induced. My question was motivated by some

evidence that- as Prof. Mobarak himself brought up in the Q & A session- while high skilled immigration to countries like the United States serves to raise overall welfare and wages, the labor supply effects of low-skill immigration may depress low-skill wages in regions to which migration occurs. We know that these are points brought up by immigration hawks and are thus important to consider.

And Professor Mobarak and his co-authors have considered them. He rightly argues that the study in question focused on inducing a few thousand migrants, hardly enough to generate the sort of labor supply effect that would be of concern in immigration areas. Furthermore, the jury is still out on the empirical evidence regarding migration macro effects. While low skill migration probably leads to a small adverse wage shock, the effects on unemployment are moot. For instance, Rachel Freidberg and Jennifer Hunt in a 1995 JEP paper:

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.

Economic theory is equivocal, and empirical 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. Even those natives who should be the closest substitutes with immigrant labor have not been found to suffer significantly as a result of increased immigration. The upper bound on the wage impact is large enough to explain one-quarter of the rise in inequality in the United States in the 1980s, but the true effect is probably considerably smaller. 'The theoretical literature on immigration and economic growth suggests that the impact of' immigrants on natives' income growth depends crucially on the human capital levels of the immigrants. Empirical research on this question has yielded conflicting answers, and more work on this issue is needed.

So our priors on the macro effects are hazy at best, but based on the context-bound, micro evidence, this is definitely an avenue of development that we should be looking into more. Stay tuned.

This blog is cross-posted from [Chasing Fat Tails](#).

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