Migration theories meet reality

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Introduction

Aim of the class:
• Presentation and discussion main migration theories
  Two main questions: (1) why does migration start? (2) why it does continue?
• Understanding of contemporary migration flows – with focus on their causes/drivers
• Emphasis on socio-economic aspects of labour migration on various levels of aggregation: macro, meso and micro
• Discussion of selected migration policy related issues.

Outline of the class

• Organizational issues: format of the class
• Introduction to migration theories
• Discussion:
  (1) Equilibrium-based vs. structural approach
  (2) Level of analysis: individual vs. household
  (3) Level of analysis: importance of the meso level
• Synthesis
• Setting-up the workshop

Format of the class - workshop

Workshop's schedule:
(1) Group work: 30-45 minutes
(2) Presentation and discussion of results: 3-4 x 15-20 minutes
(3) General discussion and concluding remarks: 10-15 minutes

Suggested case studies (migration systems approach or functional one):
(1) Mexican – US migration
(2) Migration in the post-Soviet space
(3) Migration from North Africa
(4) Mobility of the highly skilled
(5) Guest-worker migration – 1950s and beyond
(6) Post-enlargement migration
(7) ...?
Readings

Main readings:

Additional readings:

Introduction to migration theories

Migration theory?
• There is no single theory widely accepted by social scientists to account for emergence and perpetuation of international migration
• Fragmented set of theories developed in isolation from one another and usually segmented by disciplinary boundaries e.g. economics
• Migration theories / concepts – substitutes or compliments?

Theses:
• Complex nature of migration requires a sophisticated theory that incorporates a variety of perspectives, levels and assumptions
• Migration theories are hardly compatible but not contradictory

Introduction to migration theories

Migration theories and their explanatory power

Source: Own elaboration based on Massey 1999.
Introduction to migration theories

Structure:

(1) Equilibrium based approaches vs. structural approaches (classical and new trade theories, demographic approach (gravity models) vs. world system theory, dual labor market theory etc.);

(2) Individual vs. household as the subject of analysis (microeconomic neoclassical approach vs. New Economics of Labor Migration)

(3) Micro vs. macro and meso approaches (microeconomic neoclassical approach vs. network theories, gravity models etc.).

PART I

Equilibrium based vs. structural approach

The origins of economic theory of migration

Main idea:

Hicks (1932: 76), "differences in net economic advantages, chiefly differences in wages, are the main causes of migration"

→ migration is perceived purely instrumentally, as a consequence of wage differential and as a means to equalize inequalities in wages and living conditions on the international level

• Migration and mobility
• Mobility and immobility
• Internal and external mobility/migration
• Temporary and permanent migration
• Migration and migration potential
The origins of economic theory of migration

What is driving labor migration?

Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations* (1776): obvious differences in wages → space for arbitrage → but still limited mobility → “it appears evidently from experience that a man is of all sort of luggage the most difficult to be transported”

Model based on Smith’s observation (Shields and Shields 1989, Bodvarsson and Van den Berg 2009):

\[ M_{ij} = β_{ij} (W_j - W_i) \]

where: \( W \) – the wage, \( M \) – the number of migrants from region \( i \) to region \( j \), and \( β \) represents barriers to migration (distance, imperfect information, migration policies).

Side note: gravity models

Gravity model → migration as a function of the ‘mass’ of two economies (positive) and distance between them (negative). Distance treated as a proxy for the costs of moving between analyzed countries.

Basic model:

\[ IMM_{ij} = f\left[\frac{(GDP_i \times GDP_j)}{DIST_{ij}}\right] \]

and specified in natural logarithms (and with the usual random error term):

\[ \text{imm}_{ij} = a_0 + a_1 (gdp_i \times gdp_j) + a_2 (dist_{ij}) + u_{ij} \]

The neoclassical approach to migration analysis

Assumptions:

- people tend to maximize their utility
- potential migrant is an autonomic individual
- people are mobile
- migration occur without costs
- potential migrant behaves in a rational way
- there is no risk or uncertainty.
The neoclassical approach to migration analysis

Basic model:
- 2 countries (Poland and Germany)
- 2 commodities (t-shirts and cars) and 2 inputs (labour and capital)
- Poland is relatively well equipped with labour
- Germany is relatively well equipped with capital
- Wages are low in PL and high in DE, interest rates are lower in DE than in PL
- An economy will tend to be relatively effective at producing goods that are intensive in the factors with which the country is relatively well endowed

Equalization of factor prices under free trade regime with no labour mobility:
- any given country will produce and export such commodities which are produced with use of relatively abundant (relatively cheaper) factor → PL will export t-shirts and DE will export cars
- as a result of gains from trade the wages in PL should rise
- if there are no transportation cost one could expect total equalization of both capital and labour prices
- incentives to trade will diminish and the whole process should stop.

Migration and international trade theory - Heckscher-Ohlin model

Conclusions:
1) International migration is caused by differences in wage rates between countries
2) Mobility of labour leads to equalization of imbalances on the global scale → the elimination of wage differentials will end the movement of labour and migration will not occur in the absence of such differentials
3) The equalisation will be perfect if regions/countries are completely the same with regard to other factors (i.e. technology)
4) International trade is a substitute for migration: "Thus, the mobility of goods to some extent compensates the lack of interregional mobility of the factors" (Ohlin 1933)
5) The flows of capital play similar role as the mobility of labour. According to Bhagwati and Srinivasan, "international migration [...] can be analyzed in the same way as international capital mobility"
6) International flows of human capital (highly skilled workers) respond to differences in the rate of return to human capital which may be different from the overall wage rate → migration patterns of the highly skilled may be opposite that of unskilled workers
7) International labour flows are influenced primarily by labour market mechanisms – other kinds of markets do not have important effects on international migration.
The neoclassical approach to migration analysis - critics

Why we deal with this model???
Why relationship between migration and trade is more complicated than it is foreseen by neoclassical approach?

1) Outcomes depend on assumptions taken
2) Differences in technology → countries of the South are not able to compete with Northern countries;
3) Differences in productivity → low wages are not enough to secure competitiveness;
4) Scale effects (corporations vs. small firms);
5) New employment opportunities give a chance to deal with market imperfections more effectively → diversification;
6) Migration networks → impact of economic factors can be smaller than foreseen;
7) Growth in inequality → relative deprivation.

The neoclassical model - summary

\[ W_w (1 - \gamma_w) = W_E (1 - \gamma_E) \phi \]

where:
\( W_w \) – wages in well developed countries
\( W_E \) – wages in less developed countries
\( \mu \) – unemployment rate
\( \gamma \) variable representing different position of native and foreign labour on the labour market
\( \phi \) cultural and non-pecuniary factors

The neoclassical approach to migration analysis - critics

- The mobility assumption
- The barriers and obstacles to migration
- Migration potential and real migration
- The demand side

Structural approach to migration (I) World systems theory

- Functionalist theories of social change and development - potential positive impact of globalization and industrialization on less developed countries
- Historical structural approach – unequal distribution of economic and political power in the world economy

Dependancy theory:
- political power is unequally distributed across nations
- the expansion of global capitalism acted to perpetuate inequalities and reinforce a stratified economic order
- poor countries were „trapped“ by their disadvantaged position within an unequal geopolitical structure, which perpetuates their poverty
- developing nations were being forced into dependency by structural conditions dictated them by powerful capitalist countries.
World systems theory - key idea:
The reconstruction of the historical processes by which unequal political/economic structures were created and extended throughout the world and the mechanisms by which the non-capitalist or pre-capitalist regions were incorporated into the global market economy.

Basic concepts:
World system is "a unit with a single division of labor and multiple cultural systems [...] there can be two varieties of such world systems, one with a common political system and one without. We shall designate these respectively as world-empires and world-economies".

Core, periphery and semi-periphery → stratified world order
Development of the system → case of Europe

World systems theory and migration:
Thesis: penetration of capitalist economic relations into non-capitalist or pre-capitalist societies creates a mobile population that is prone to migrate
Changes related to "capitalist penetration":
Land: consolidation of landholding, mechanization of production, introduction of cash crops → destruction of traditional systems of land tenure, impact on the need for manual labour → creation of a mobile labour force displaced from the land with a weak attachment to local communities
Raw materials: the extraction of raw materials for sale required industrial methods that rely on paid labour → creation and promotion of mobile labour
Labour: establishment of assembly plants → „modern” labour market needed! → impact on behavior of native population
Links: colonial and post-colonial, transportation and communication, cultural, political etc.

Main message:
International migration is caused by a permanent demand for immigrant labour that is inherent to the economic structure of developed nations.

- Neoclassical and Institutional approach to the labour market
- Internal and external labour markets

The internal labour market is „an administrative unit, such as a manufacturing plant, within which the pricing and allocation of labour is governed by a set of administrative rules and procedures".

In the case of the external labour market „pricing, allocating, and training decisions are controlled directly by economic variables” (Doeringer and Piore 1971)

- Primary and secondary sectors.
Primary sector | Secondary sector
---|---
High wages | Low wages
Good working conditions | Bad labour conditions
Stable, secure employment | Insecure employment
Prospects of vertical mobility | Lack of reasonable prospects for mobility
Administrative procedures | No rules or procedures

Critical question: Who can be interested in taking a job in the secondary sector?

Piore: People whose social position is not determined by their work and their employment is only temporary:
- women - not primary breadwinners, their principal social identity was that of sister, wife or mother; work was viewed as transient and the earnings as supplemental
- teenagers - moving into and out of the labour force with great frequency to earn extra money, to gain experience, to try out different occupational roles; work was viewed instrumentally as a means of earning money
- peasants/farmers - rural areas of developed nations form many years provided industrial cities with a steady supply of low wage-workers.

Why secondary sector can be attractive for immigrants:
1) Immigrants usually perceive their stay in the destination country as temporary: "The temporary character of the migration flow appears to create a sharp distinction between work, on the one hand, and the social identity of the worker, on the other. The individual's society identity is located in the place of origin, the home community. The migration to the industrial community and the work performed there is purely instrumental: a means to gather income, income that can be taken back to his or her role within that social structure. From the perspective of the migrant, the work is essentially asocial: It is purely a means to an end. In this sense, the migrant is initially a true economic man, probably the closest thing in real life to the Homo economicus of economic theory" (Piore 1979: 54).

2) Hierarchy and incentives to work: "It is possible [...] that such a hierarchy is critical to the motivation of the labour force, that is, that it is basically the accumulation and maintenance of social status, and not income, that induces people to work. People work [...] either to advance up the hierarchy of jobs (and, hence, of social status) or to maintain the position they have already achieved. Such a view implies that there will be acute motivational problems in two kinds of jobs: the jobs at the very bottom of the social hierarchy, because there is, in effect, no position to be maintained, and the jobs that, whatever their position in the hierarchy, are basically dead end and provide no opportunities for advancement. Recruitment for both types of jobs is a basic problem for the economy; [...] Migrants provide a solution to the problem essentially because they come from outside and sample apart from the social structure in which the jobs are located" (Piore 1979: 33-34).
Conclusions:
• Segmented labour market theory neither posits nor denies that actors make rational, self-interested decisions as predicted by microeconomic models. Rather, it emphasized factors who are responsible for massive recruitment of foreign labour and structural demand on foreign workers.
• International labour migration is largely demand-based (problem: to what extent – empirical evidence).
• International labour migration is usually initiated through recruitment by employers or by governments acting on their behalf.
• International wage differentials are neither a necessary nor a sufficient condition for labour migration to occur. Employers have incentives to recruit workers while holding wages constant.

PART II
Individual vs. household as the subject of analysis

Neoclassical micro approach
Migration decision-making – importance of the micro level
• Migration potential and migration flows.
• Necessary and sufficient conditions of labour mobility.
• Methodological problems \(\rightarrow\) ecological fallacy.

Neoclassical micro approach
Assumptions:
• Individuals behave in a rational way, they gather all information and are capable to compare different locations.
• Individuals have costless access to perfect information.
• Individuals maximize their utility.
• Migration has a temporal dimension – preferences regarding time and risk are important \(\rightarrow\) individuals exhibit a more or less preference for the present.
• Migration decision is taken individually, social context is neglected.
Labour mobility according to the human capital theory

- Migration as an investment decision met with an intention to find maximal pay for a given level of skills → investment which improves the productivity of human capital
- Idea: workers calculate the value of the employment opportunities available in each of the alternative labour markets, net out the costs of making the move and choose option which maximizes the net present value of lifetime earnings
- Migration decision is guided by the comparison of the present value of lifetime earnings in the alternative employment opportunities → net gain positive

Problems: risk and uncertainty, costs (pecuniary and non-pecuniary)

Outcome: complicated economic models, e.g.:

\[ \text{NPV}_{\text{m}}(n) = \sum_{t=0}^{n} \left( \frac{r_{j}^{n} - r_{k}^{n}}{1 + \rho} \right) \left( 1 + \rho \right)^{t} \]

Neoclassical micro approach

More problems:

- Potential migrants have perfect and costless information
  Information is scarce and costly and limited information about economic and non-economic factors may lead to second-best solutions → individual may decide to stay even if it would be possible to realize a higher level of utility in a different location.
- Potential migrants behave in unconditionally rational manner
  Rational behavior → in a situation where a decision between different options has to be made a decision maker possessing complete and unconstrained information opts for the alternative that allows him to realize the highest level of utility → rather: Bounded (conditional) rationality, conditional on the incomplete information
- The potential migrant is an autonomous human being with no social context

New Economics of Labour Migration

Assumptions:

- Labour is a specific factor of production
- Individuals are acting in a social context → focus on the family or the household
- Migration is to be perceived as a complex social phenomenon: „Migration can be looked upon as a process of innovation, adoption and diffusion“ (Stark and Bloom 1985: 176)
- Migration does not have to be permanent, in contemporary world temporary mobility is very common.

Side note: Role of family / household in migration → social structures, cognitive structures, gender roles etc. (Mincer, Boyd, Harbison etc.)

Key idea: migration decisions are not made by isolated individuals but by larger units of related people (families, households, communities)

- people can act collectively not only to maximize expected income but also to minimize risk and to loosen constraints associated with various kinds of market failures
- households are able to control risks to their economic well-being by diversifying the allocation of resources (family labour) to different labour markets.

- Critical → risks and market failures: agriculture, labour market, pension system, financial market and credit market
Migration and risk diversification – an example:
A village household – 2 adults with following income patterns:

- “Good year” – 100 x 2 = 200
- “Bad year” – 50 x 2 = 100

What happened if the amount of money necessary to survive equals 150?
Migration to the town → if the income in the town is perfectly negatively correlated with village income there is a chance to minimize risk completely...

Migration and social context → relative deprivation:
- People are acting in a social context → “a person may migrate from one location to another to change his relative position in the same reference group, or to change his reference group” (Stark and Bloom 1985: 173)
- People rarely base their decisions on an evaluation of absolute income alone but also take into consideration their relative income
- Relative deprivation and temporary migration
- Relative deprivation and migrant communities.

Relative deprivation approach → an example:
Town – average income = 300 (50 → 600)
Village – uniform income distribution = 100
Public action → Government subsidy – income of 50% of households in the village is rising to 150

QUESTION: Effect on migration?

Not the autonomous individual but families or households are the appropriate units of analysis for migration research.
- A wage differential is not a necessary condition for international migration to occur – households may have strong incentives to diversify risk through migration even in the absence of wage differentials.
- There is no trade-off between mobility and activities in the country/region of origin. Indeed, there are strong incentives for household to engage in both migration and local activities.
- Development in regions need not to reduce the pressures for international migration, in opposite, it may intensify them (change in modes of behaviour, change in income structure).
- International labour movement does not necessarily stop when wage differentials have been eliminated between different labour markets. Incentives for migration will continue to exist if other markets (insurance, futures, capital, consumer credit) are absent or imperfect.
- The same expected gain in income may not have the same effects on the probability of migration. Income distribution can be crucial factor in determining the scale of migration.
PART III
Level of analysis – micro vs. macro approaches
Importance of the meso level

Migration as a social process
Problem: most of the theories (attempt to) explain why does immigration start and not why it does continue

The perpetuation of migration → social capital theory and network theory
Key concepts:
• „Social capital is the sum of the resources, actual or virtual, that accrue to an individual or a group by virtue of possessing a durable network of more or less institutionalized relationships of mutual acquaintance and recognition“ (Bourdieu and Wacquant 1992)
• „Migrant networks are sets of interpersonal ties that connect migrants, former migrants, and non-migrants in origin and destination areas through ties of kinship, friendship and shared community origin“ (Fawcett 1989)

The meaning of networks:
• serving as a channel of information, other resources, and normative structures
• influencing the selection of destinations and origin sites
• determining, to a degree, who migrates from communities and households
• networks make international migration extremely attractive as a strategy for risk diversification or utility maximization
• shaping the size and momentum of migration
• impacting socio-economic processes, e.g. inequality
• thanks to migrant networks, migration may become a self-perpetuating process.

Key ideas:
• Migration occurs usually in less developed countries. These countries are characterized by significant market failures.
• Market failures are associated with functioning in receiving countries (illegal migration!).
• Migration as a transaction → set of contracts between persons and organizations involved in the exchange process.
• Transaction costs: cost of acquiring information about employment opportunities, accommodation, legal rules, but also negotiating the contract, sending money home etc.
• The lack of efficient markets can be compensated by additional institutions – migrant networks - migrant networks are a kind of infrastructure which helps to control the level of risk and reduce the transaction costs associated with mobility.
• Process: Market failures → development of networks as a migration infrastructure → institutionalization of migration → mass process → limits to potential migrants (limited choices, e.g. destinations).
Migration as a social process – an institutional approach

Network theory – problems / controversies:
- Migrant networks as facilitators or canals?
- Structure and dynamics of migrant networks
- Migrant networks in the mature phase of migration process
- Methodological problems.

Contemporary migration theories differ significantly

But:
They are not necessarily contradictory, rather complementary

Massey (1999) “It is entirely possible for individuals to engage in cost-benefits calculations; for households to minimize risk or overcome barriers to capital and credit; for both individuals and households to draw on social capital to facilitate international movement; and for the socio-economic context within which migration decisions are made to be determined by structural factors operating at the national and international levels, often influenced by migration itself.”

Synthesis?

Why well-developed countries are attractive for migrants?

The dual labour market theory

World systems theory

Neo-classical approach

How the links between countries engaged in international migration are created?

Migration incentives and migration propensity

International migration does not stem from a lack of economic developments but from development itself [...]. International migration tend not to come from poor, isolated places that are disconnected from world markets but from regions and nations that are undergoing rapid change and development”

“Households struggling to cope with the transformations of economic development use international migration as a means of overcoming market failures”

“By allocating members to different labour markets in multiple geographic regions – rural, urban and foreign – a household can diversify its labour portfolio and reduce risks to income as long as conditions in the various labour markets are weakly or negatively correlated”

“By sending a family member temporarily abroad for work, a household can accumulate savings and overcome failures in capital and consumer credit markets by self-financing production or consumption”
5) “unable to attract native workers, employers turn to immigrants and often initiate immigrant flows directly through formal recruitment”

6) “Once begun, immigration displays a strong tendency to continue through the growth and elaboration of migrant networks”

7) “The spread of migratory behavior within sending communities sets of structural changes, shifting distributions of income and land and modifying local cultures in ways that promote additional international movement. Over time the process of network expansion becomes self-perpetuating and […] promotes additional movement”

8) “As the level of out-migration reaches high level and the costs and risks of international migration drop, movement is increasingly determined by international wage differentials and labour demand”.

Why does immigration occur? (Massey 1999)

Introduction to workshop

(1) Main aim: look at particular migration process and attempt to explain/interpret it in terms of migration theories

(2) Idea: to identify main factors influencing migration process in different phases (pioneer phase, mature phase), on different levels (macro, meso, micro), from various angles (neoclassical, structural, economic, social, political etc)

(3) Try to find some links to other socio-economic processes (demography, labour market, political process)

(4) Based on the empirical evidence attempt to formulate your expectations concerning future developments

(5) Basic background information necessary (Massey et al. 1998; Castles and Miller 2009; UNDP 2009) – try to provide at least a broad picture

(6) Useful (?) analytical framework: push-pull (stick-stay) model (Lee 1978)

(7) Format? You decide…

QUESTIONS? COMMENTS?