

Moving to Opportunity in the Developing World

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Immigration as development policy

“When it comes to policies that restrict emigration, there appear to be **trillion-dollar bills on the sidewalk.**”

- Michael Clemens, *JEP* 2011



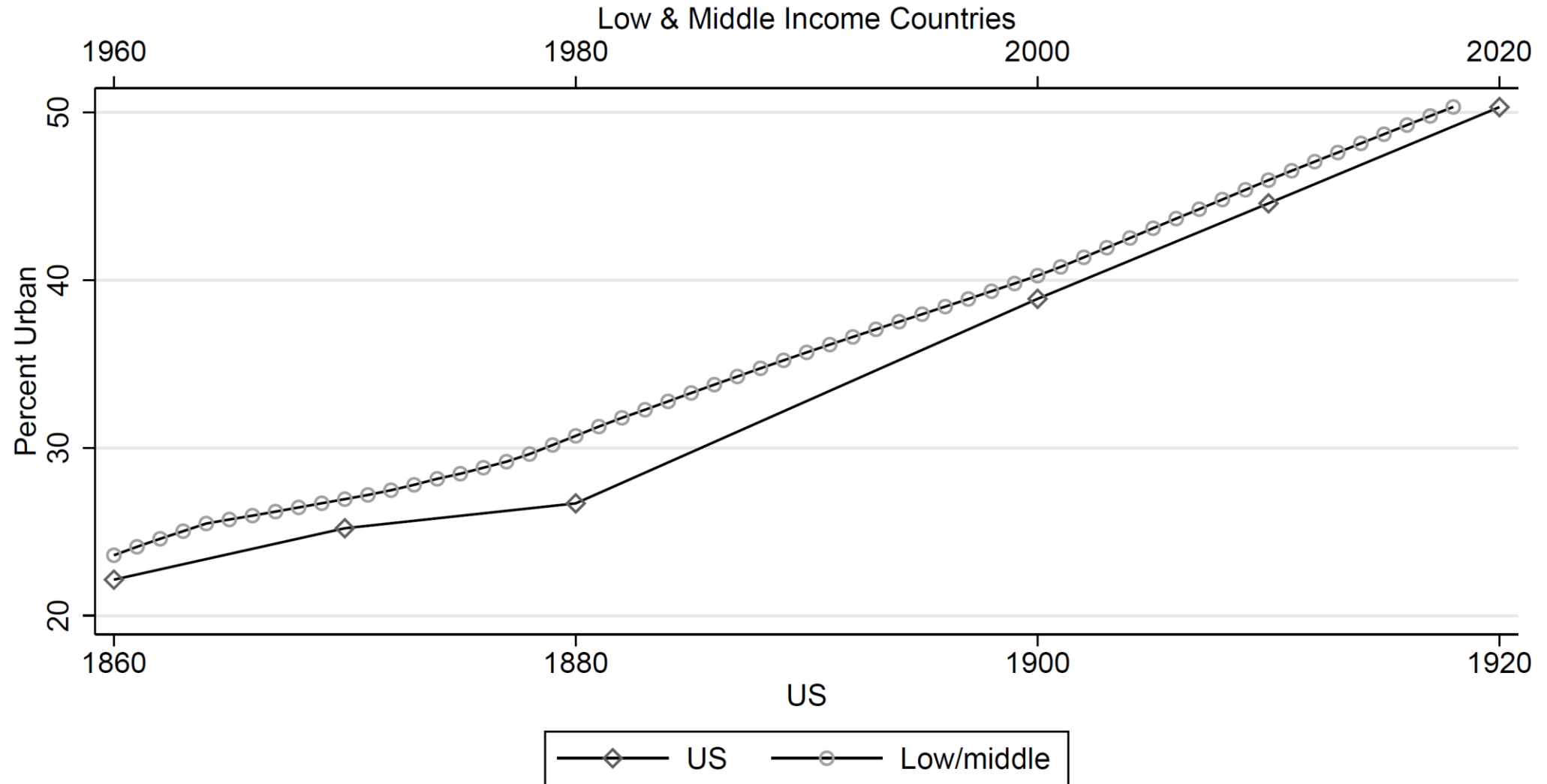
How many dollar bills on the sidewalk from inefficiently low internal migration?

- Are too few people migrating from rural to urban areas?
- Are people stuck in the wrong city?
- Can we use policy to help move people to better locations?

Barriers to mobility

- Bryan and Morten (2019) use a structural migration model to deduce:
“on average, migrants in Indonesia must be compensated with a 39% higher income [in order to move], while Americans require a 15% gain”
 - Family ties and social insurance
 - Lack of information
 - Credit constraints
 - Etc.

Rural-to-urban migration (% urban) in context

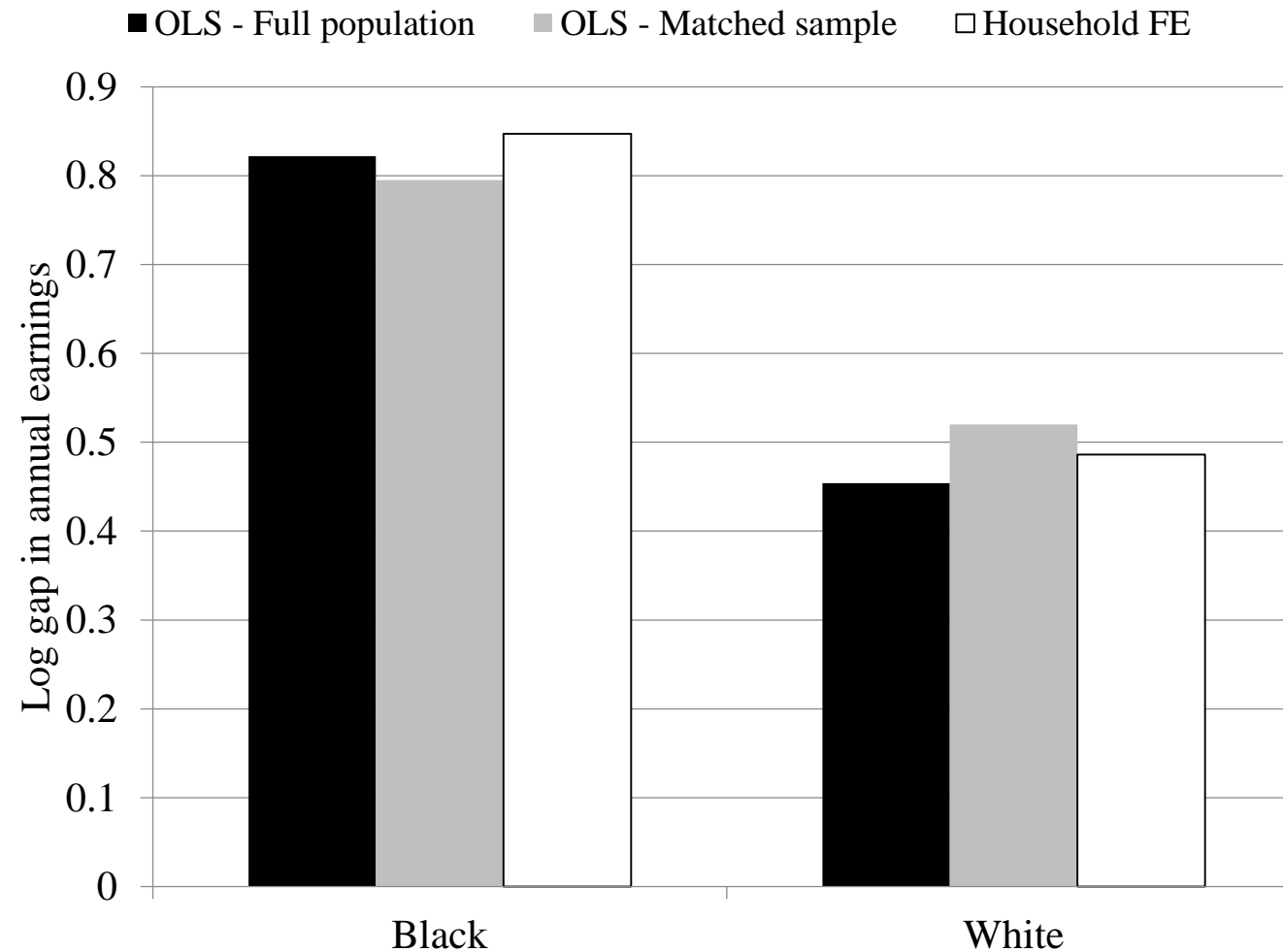


Low and middle income countries are classified according to the World Bank: GNI/Capita < \$12,055

- Returns to internal migration, both historical and contemporary
- Can policy effectively encourage migration?



50-100% increase in income for leaving rural South, 1920-40 (Boustan, 2016)





Joey Dunson, 21, skates behind the abandoned Kenton Hardware Company building in Kenton, Ohio. The company was once one of the world's biggest cast iron toy manufacturers.

TY WRIGHT FOR THE WALL STREET JOURNAL

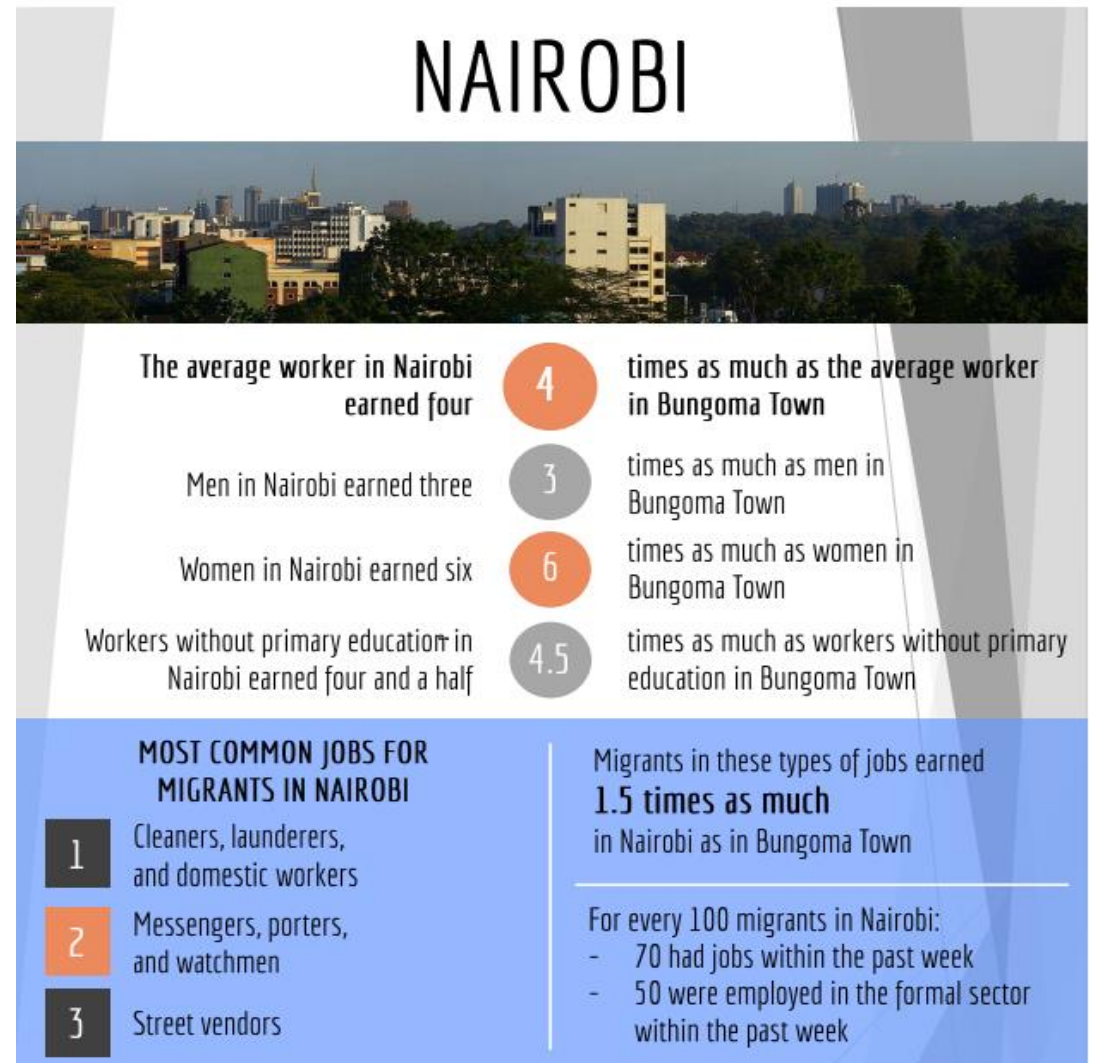
RURAL AMERICA IS THE NEW 'INNER CITY'

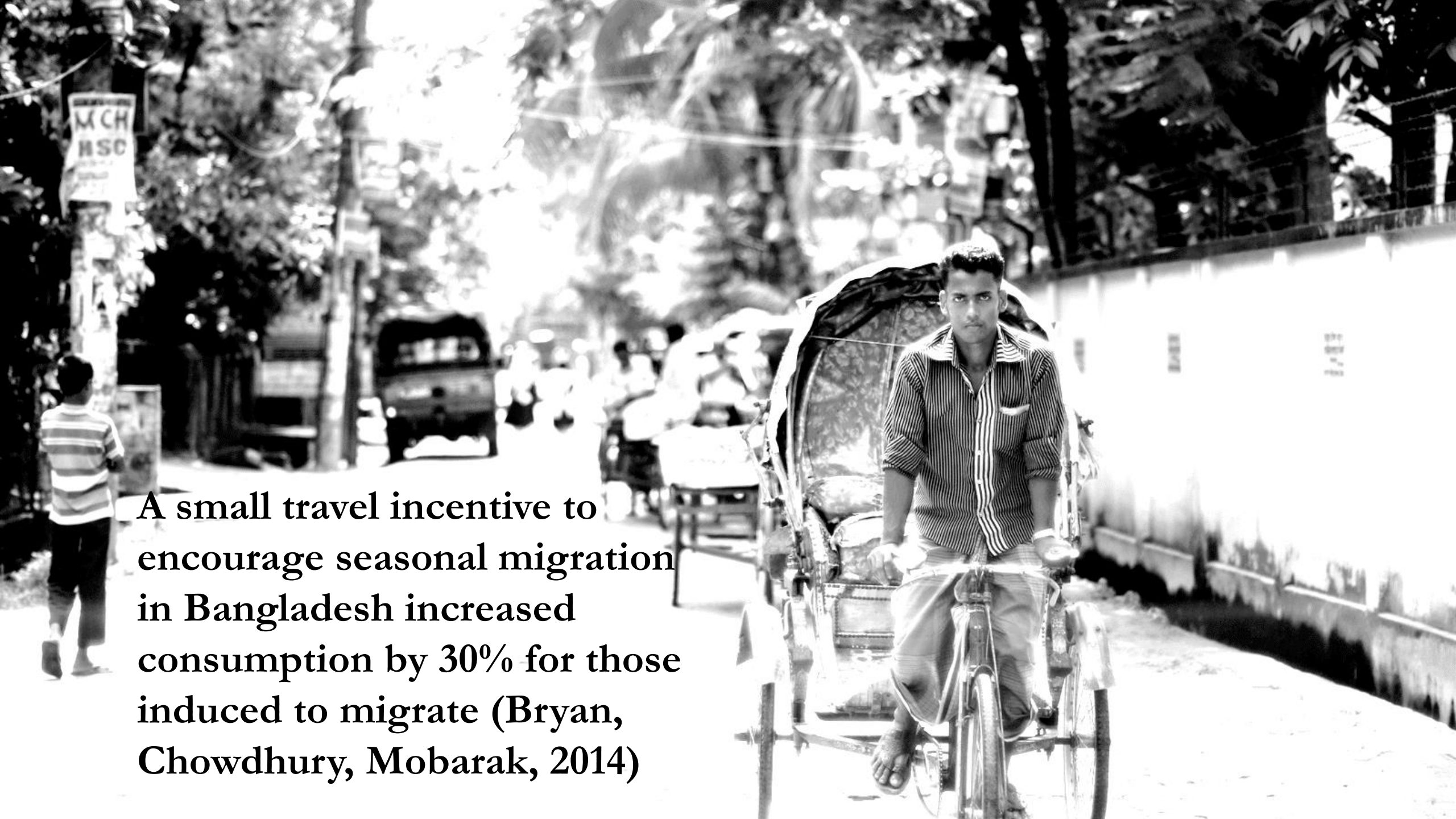
Smaller – but still notable – gains today

- Individuals who move from rural to urban locations experience 5-10% gains in wages (Glaeser and Mare, 2001)

Returns to migration in developing context

- Residents of Kenyan villages received information about higher wages in Nairobi (Baseler, 2019)
- Those induced to migrate earned 160% more





A small travel incentive to encourage seasonal migration in Bangladesh increased consumption by 30% for those induced to migrate (Bryan, Chowdhury, Mobarak, 2014)

Estimating returns to migration after forced displacement (natural disasters and other events)

- Displacement can have unexpectedly positive effects on earnings
- People often have strong ties to a place, even when that location may be unproductive or may not provide a good match for their skills



Japanese internees outperform Chinese-Americans and non-interned Japanese (Arellano-Bover, 2018)

- 10% increase in annual income by 1960
- 8 points more likely to switch occupations, often away from farming

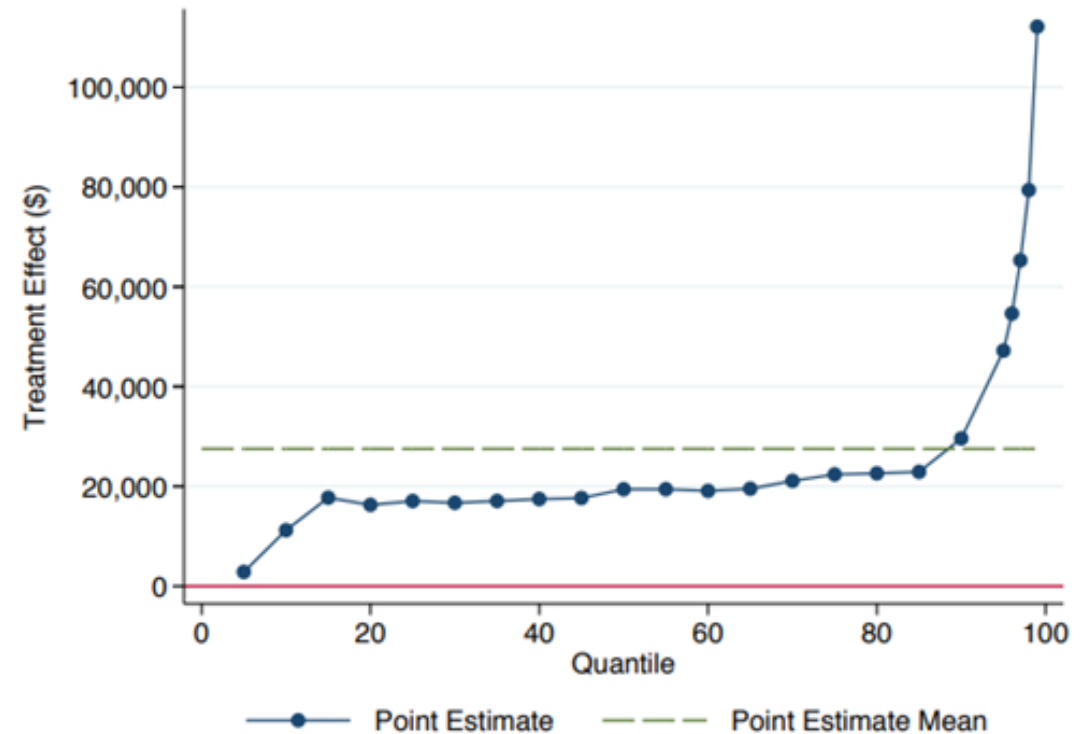
Why? One possibility is that the camps expanded networks

“A typical block... might contain eight to ten families of well-to-do farmers, fifteen or twenty itinerant farm laborers... a few small town shopkeepers, possibly a dentist and his family... people who had lived according to widely different economic standards.”



Eldfell eruption of 1973 (Nakamura, Sigurdsson, Steinsson, 2019)

- Destroyed 30% of homes in small but wealthy fishing town
- If home destroyed, 50% more likely to move
- Young workers induced to move earned around 50% return
- Largest returns at the very top – some evidence of comparative advantage and mismatch?



How can we use policy to influence migration?

- Widespread governmental resettlement programs
- Small upfront nudges (travel costs, information)
- Eliminating institutional barriers to movement

Widespread resettlement

Concerns

- May require coercion or large payments to move large numbers of people
- Centralized destination choice may ignore skills match or community networks that facilitate integration
- Large scale relocation can have negative spillovers

Indonesian transmigration program

Started under Dutch colonial rule (19th c.), revived and peaked (1979-84)



Indonesian transmigration program

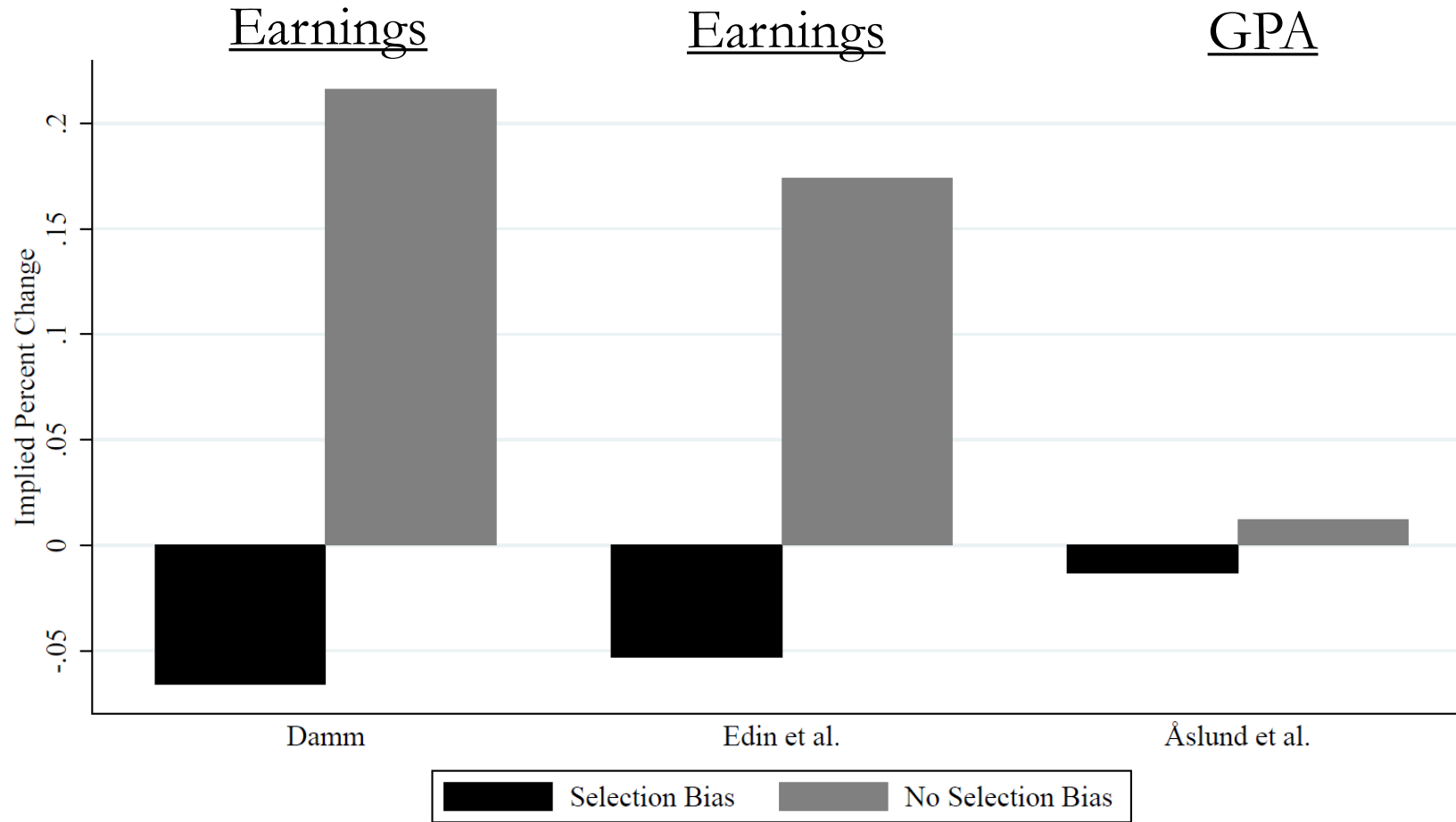
(Bazzi, Gaduh, Rothenberg, Wong, 2016)

- 82 percent of participants report higher or equal income after migration
- But skills match was essential: Migrants that were settled in areas with similar agro-climate performed better
 - One SD increase in agroclimatic similarity associated with 20% increase in productivity and 2 pp increase in nighttime light (equal to 10% higher income)

Refugee assignment policy, Sweden and Denmark



Living with others from home country has positive return, ignored by policy makers



Damm (2009): RHS=log ethnic stock, LHS: log earnings; Denmark | Edin et al. (2003): RHS=log ethnic stock, LHS: log earnings; Sweden | Åslund et al. (2008): RHS=log ethnic stock, LHS: percentile rank GPA; coefficient reweighted; Sweden

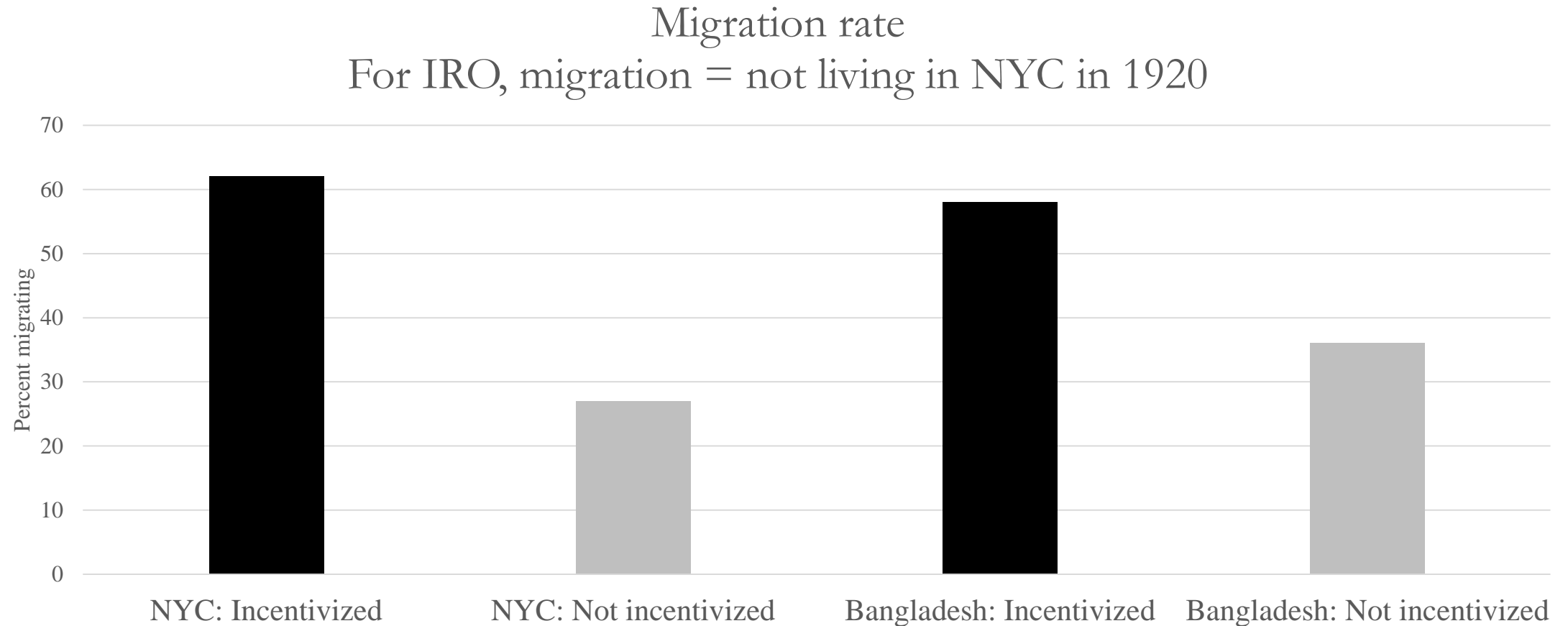
Industrial Removal Office: Between resettlement and nudge (Abramitzky, Boustan, Connor, 2019)

- The Lower East side of Manhattan was a Jewish enclave c. 1910
- A self-help group resettled 40,000 households outside of New York City
- Participating families given train fare and were assigned to a location



ORCHARD STREET

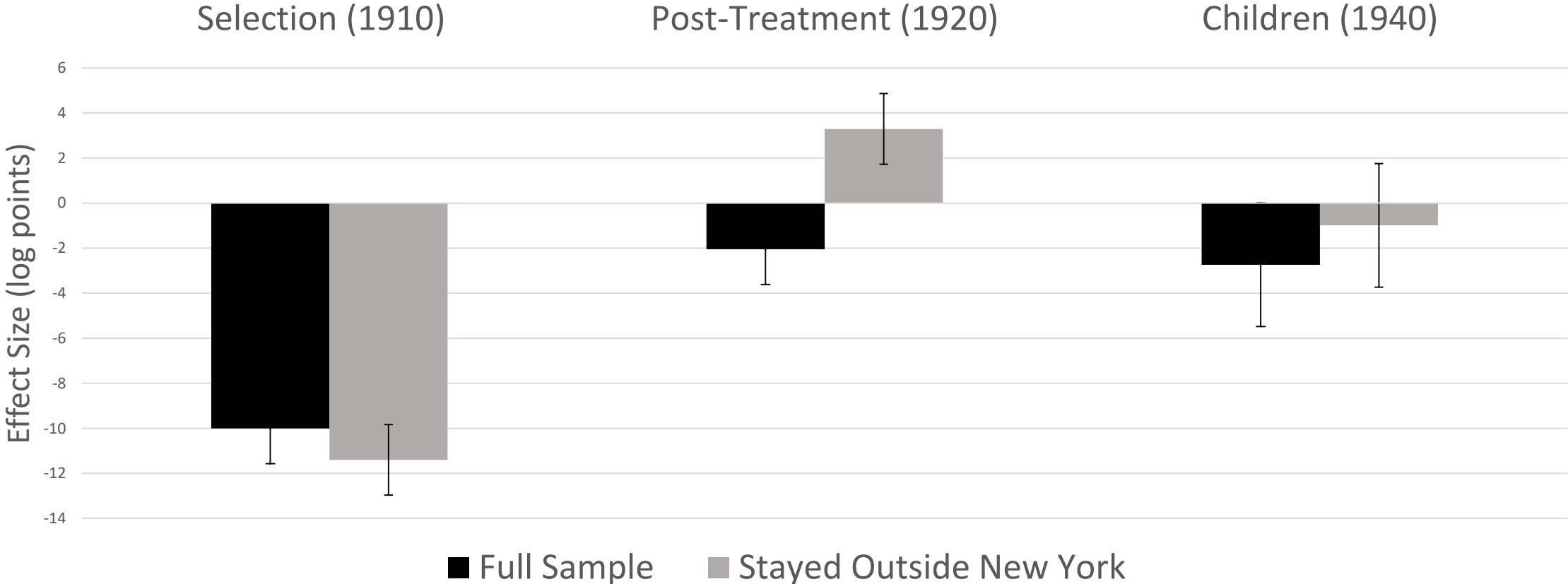
Small nudge (= 2% annual income) encouraged relocation from New York... but assignment location was not sticky



Bangladesh results from Bryan, Chowdhury, Mobarak, 2014 (Table 2)

IRO participants were negatively selected but leaving the city helped them catch up

Treatment Effects of IRO



Sample is aged 26-59 in 1920. Reference group are Jewish households who lived in NY enclave in 1910.

Nudges: Travel costs vs. information

- In Bangladesh: Providing \$8.50 as grant/loan (=3% of earnings) increased migration by 22pp (60%); offering information had no effect
- In Kenya: Providing information about earnings in Nairobi increased migration by 8 pp (40%)
- Why the difference? Could be that seasonal migrants already know expected wage and problem is gathering resources to access moves



住址变动登记

姓名	性别	出生日期	原住址	现住址	变动原因	登记日期

常住人口登记表

姓名	性别	出生日期	民族	文化程度	职业	婚姻状况	户口性质	居住地址

BEIJING REVIEW

Removing barriers – The case of Hukou

(Kinnan, Wang and Wang, 2018)

- Does eliminating hukou increase rural-to-urban migration?
- Compare rural residents with access to de-regulated city to those without, using migration networks established during Sent Down Youth (1962-78)
- At mean network size (10,000 people), probability of migration increases by ~1 percentage point (on basis of 16%) after reform
- Households with an urban migrant benefit: Higher/less variable consumption; invest in riskier agricultural production

Conclusions

- Returns to migration can be large, and sometimes a nudge is enough
- Central determination of which locations are inefficient and for whom is often infeasible
- Goal = finding situations where a small nudge will help people choose their own optimal location