

# 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



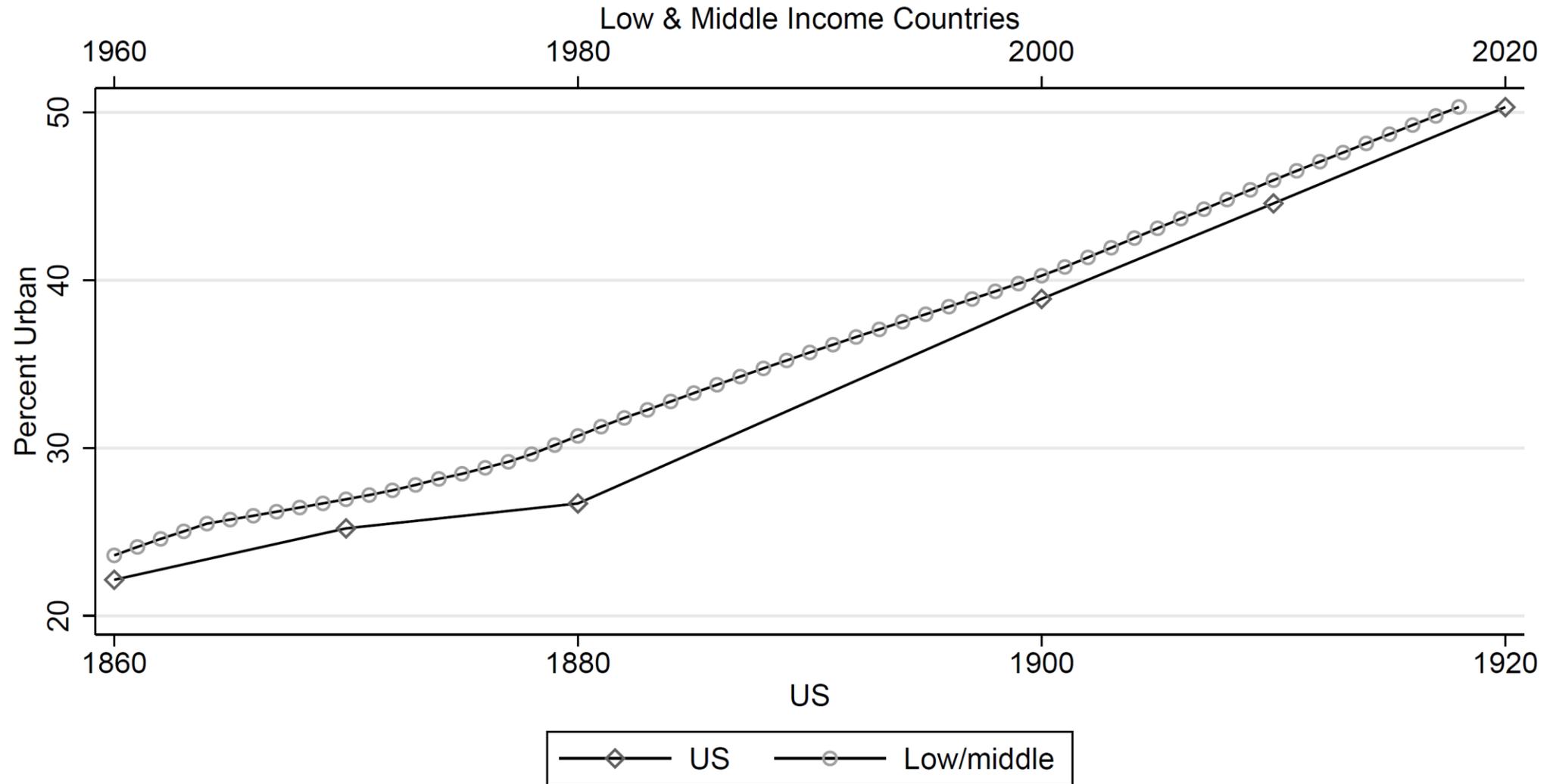
How many dollar bills on the sidewalk from inefficiently low internal migration?

- 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

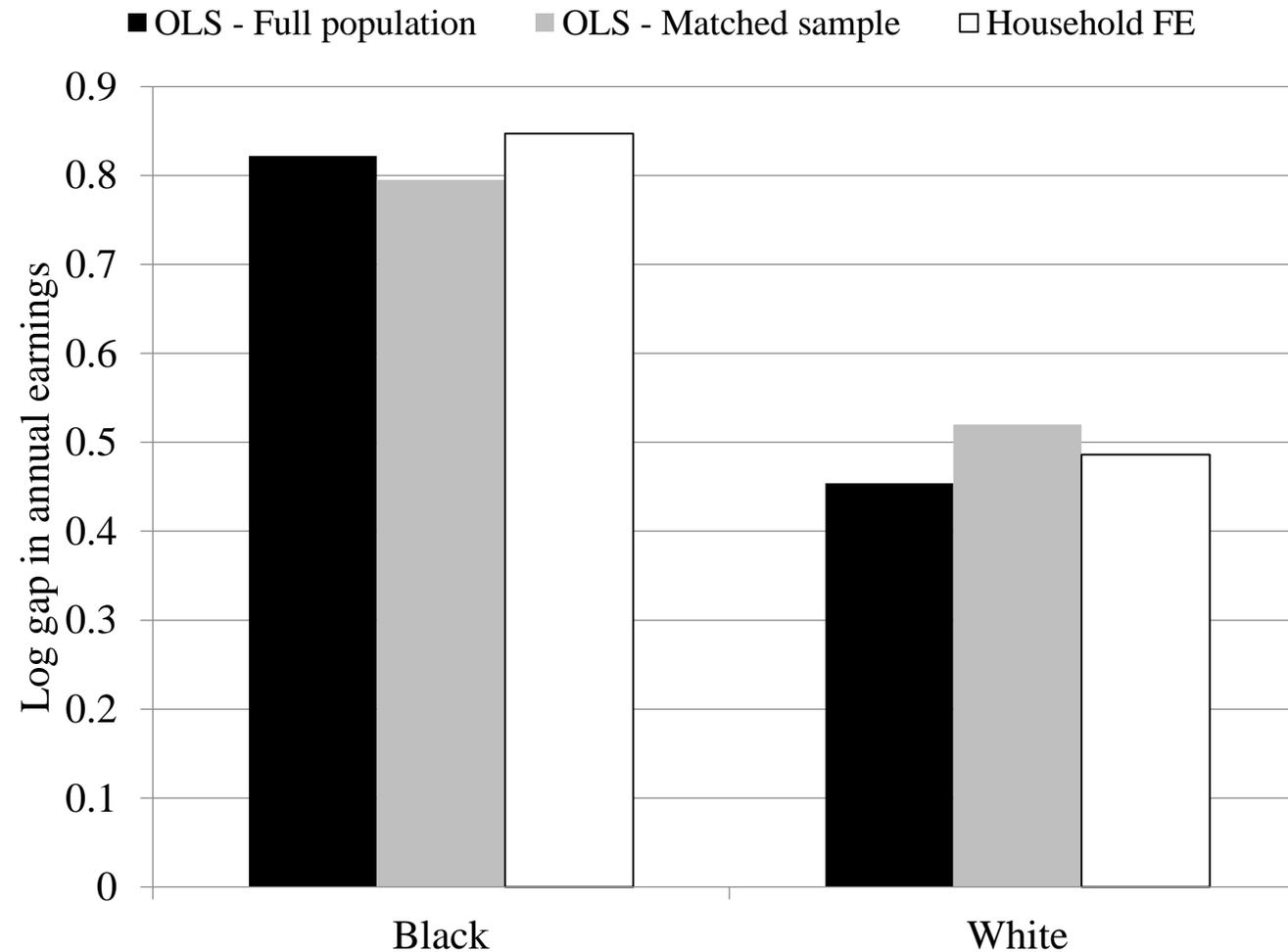


Low and middle income countries are classified according to the World Bank: GNI/Capita < \$12,055

- 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

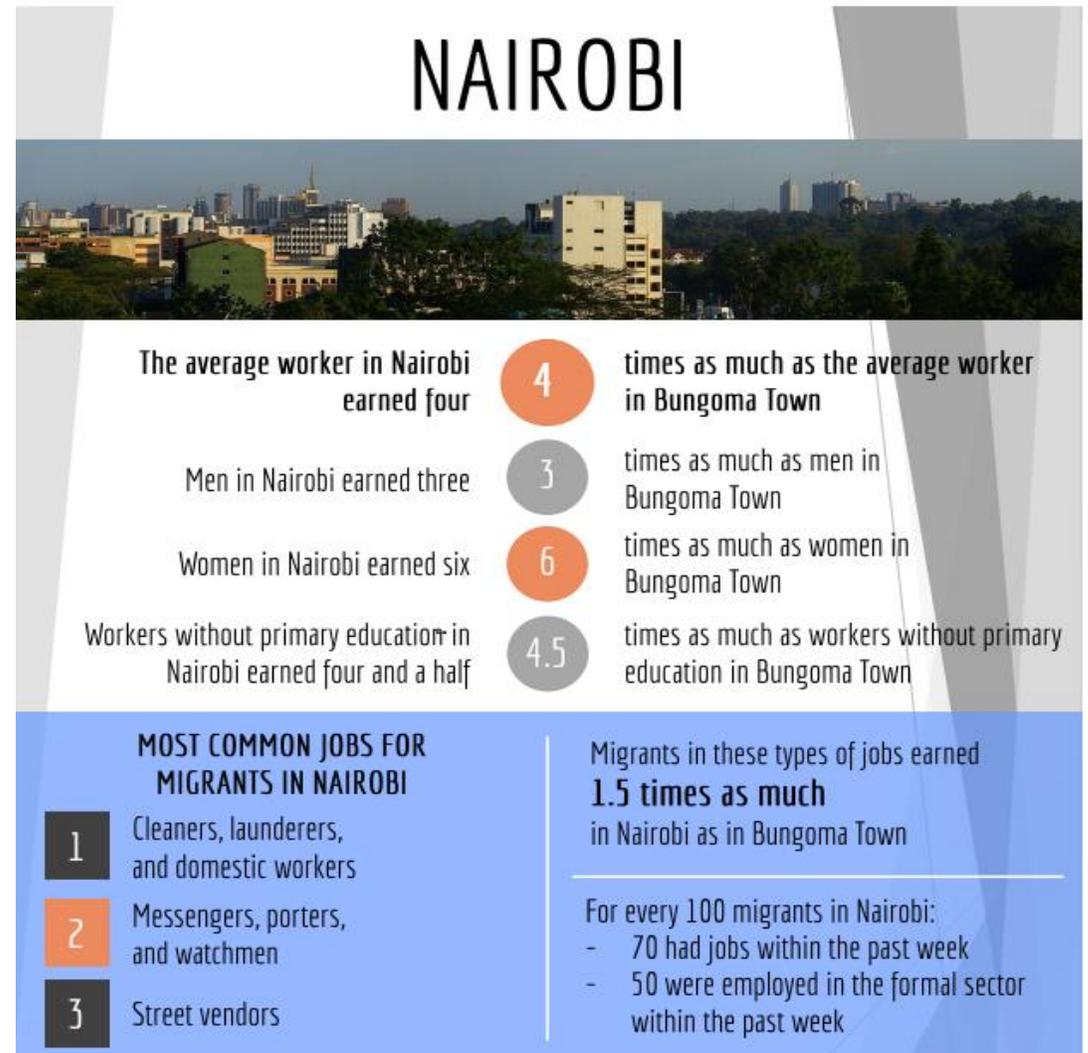
# RURAL AMERICA IS THE NEW 'INNER CITY'

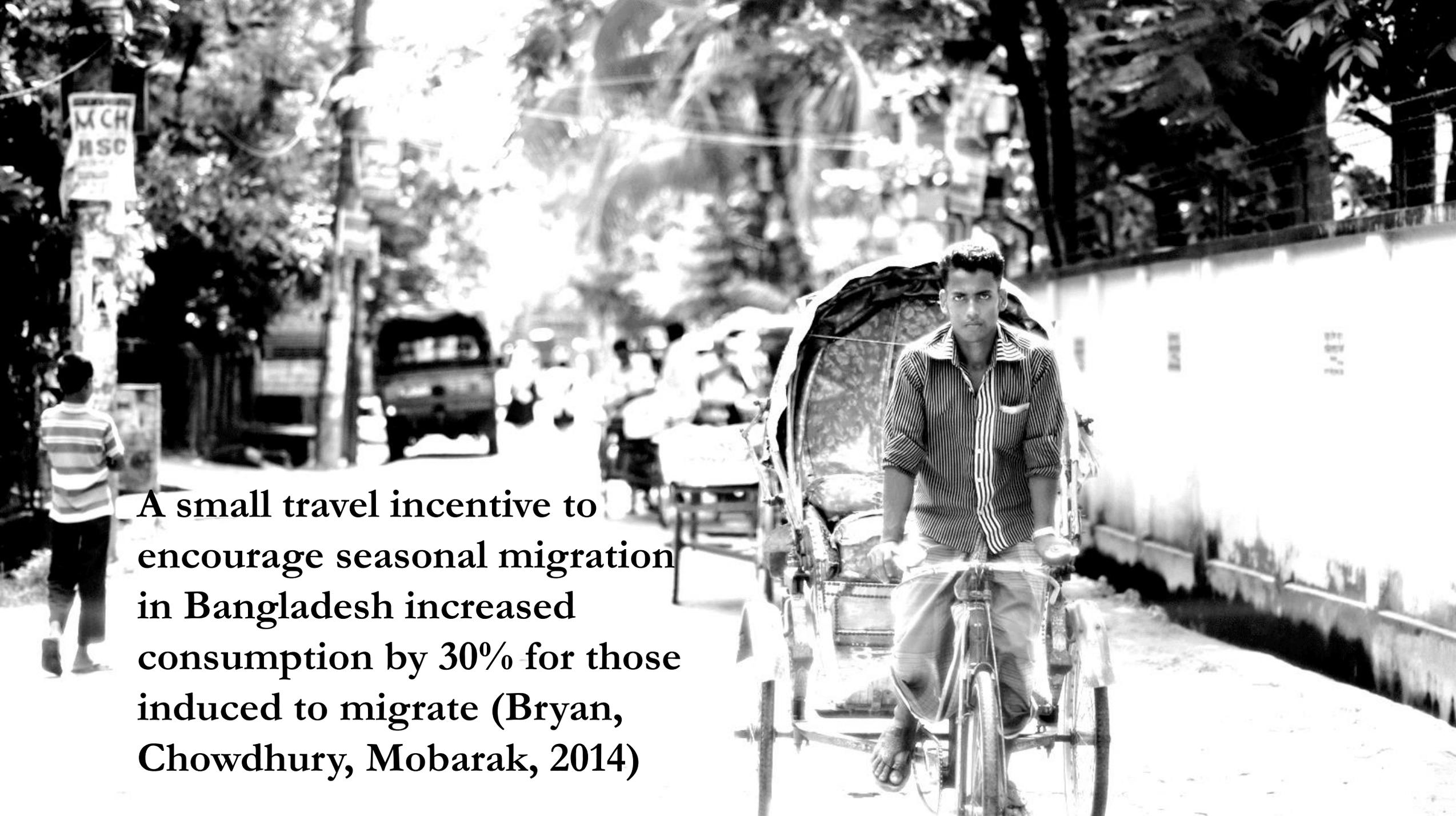
Smaller – but still notable – gains today

- 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

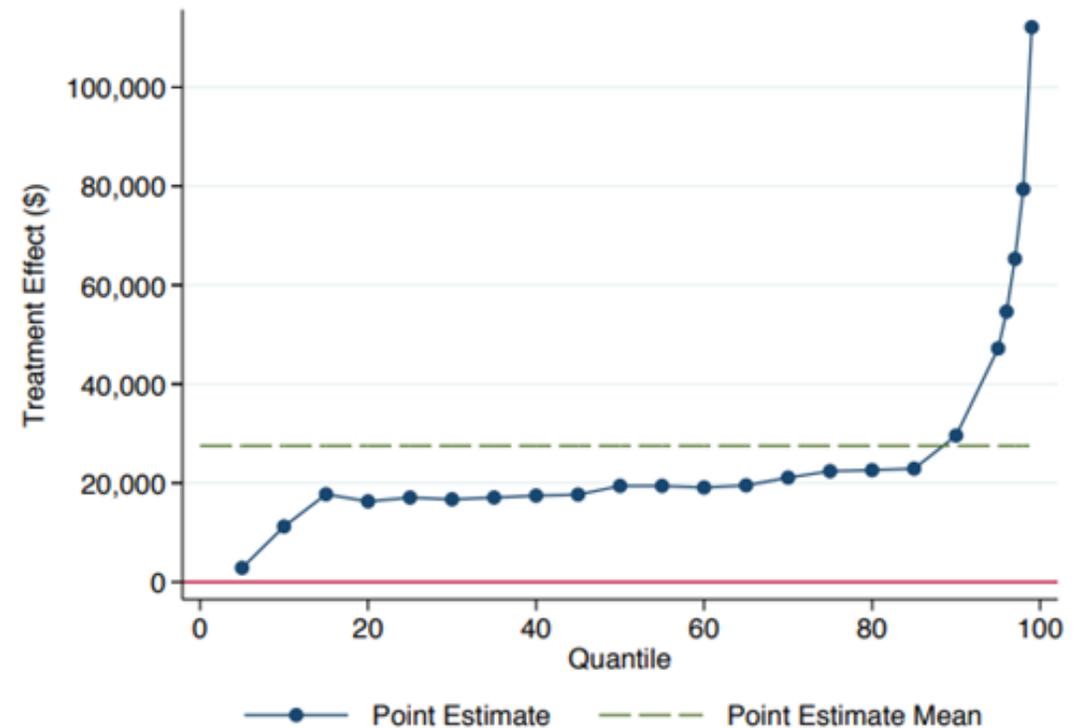
Why? One possibility is that the camps expanded networks

**“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 (19<sup>th</sup> c.), revived and peaked (1979-84)



# Indonesian transmigration program

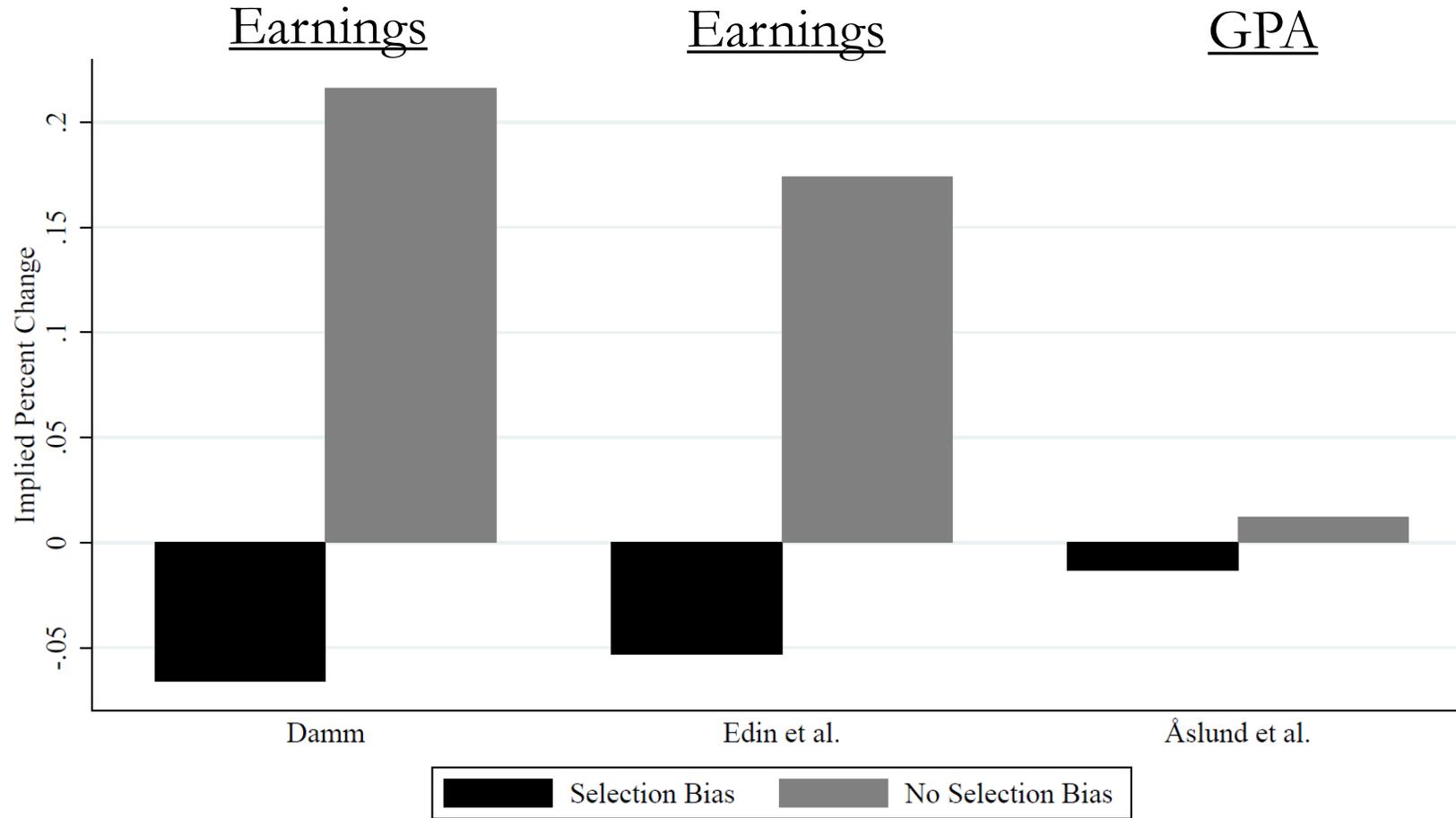
(Bazzi, Gaduh, Rothenberg, Wong, 2016)

- 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



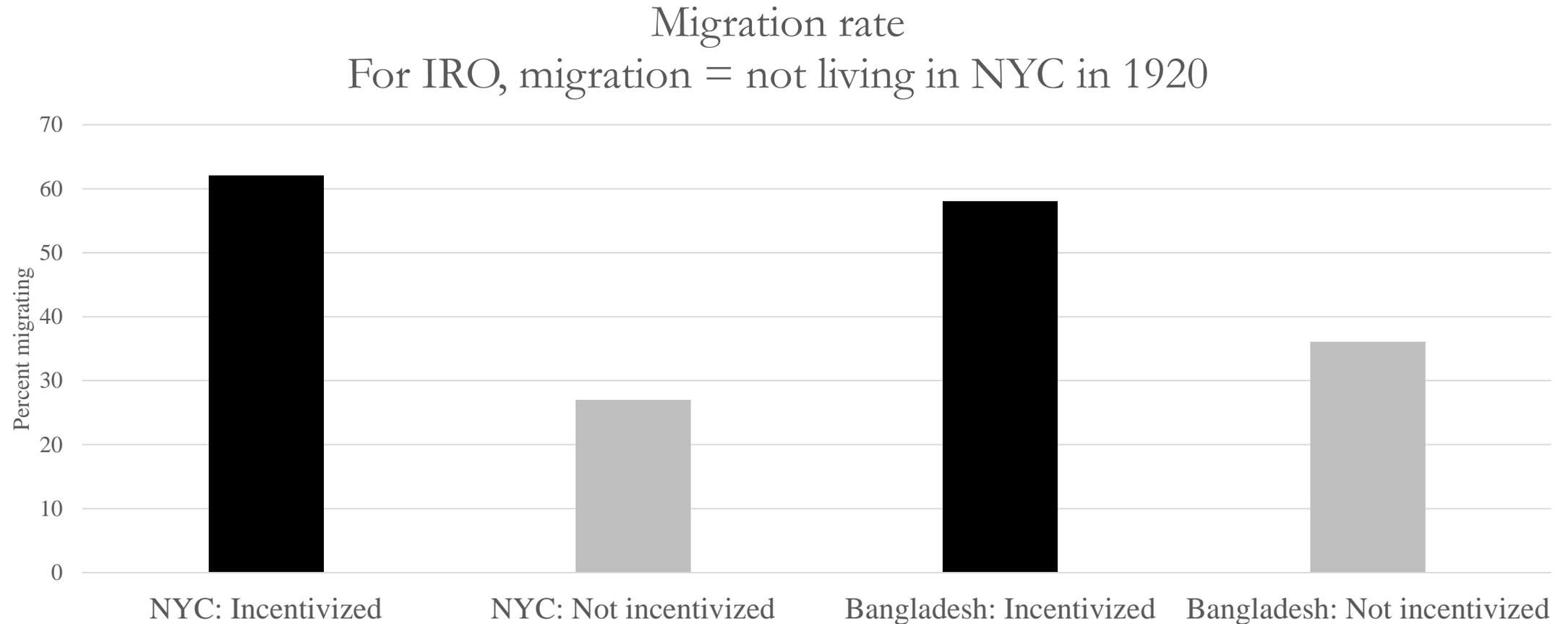
Damm (2009): RHS=log ethnic stock, LHS: log earnings; Denmark | Edin et al. (2003): RHS=log ethnic stock, LHS: log earnings; Sweden | Åslund et al. (2008): RHS=log ethnic stock, LHS: percentile rank GPA; coefficient reweighted; Sweden

# 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



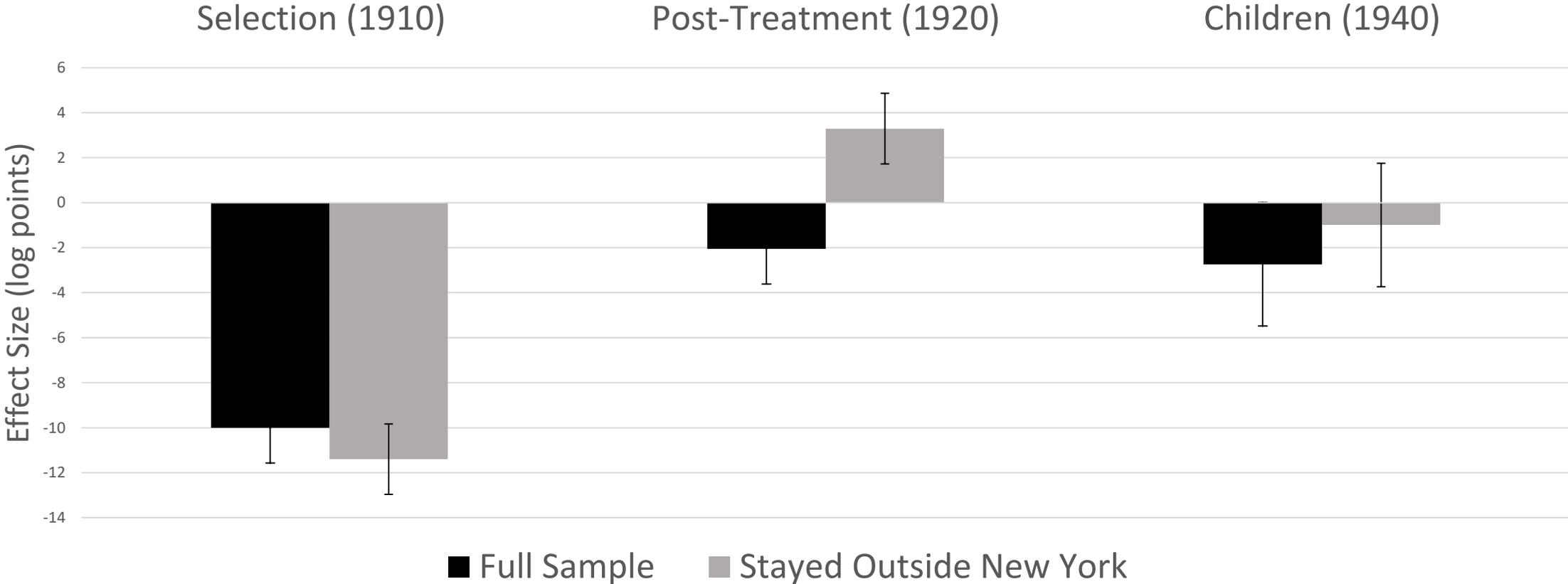
Small nudge (= 2% annual income) encouraged relocation from New York... but assignment location was not sticky



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



# 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