Issues Paper

Understanding the Implications of Migration for Pro-poor Agricultural Growth

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June 2004

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Paper commissioned by the British Government’s Department for International Development (DFID) and the World Bank under the Programme of Advisory and Support Services (PASS). Presented at the DAC POVNET Agriculture Task Group Meeting, Helsinki, 17 – 18 June, 2004. The views expressed in this paper are the sole responsibility of the author and do not reflect the official position of DFID. Priya Deshingkar is a Research Fellow at the Overseas Development Institute, London.
Executive Summary

This paper seeks to clarify the nature of changes and trends in rural-urban migration, the relevance of local labour markets and remittances and their place within the livelihoods strategies of the rural poor and to indicate the ways in which donor policies should be adapted to address these changes and trends. The main points covered in the paper are:

1. Temporary migration and commuting are now a routine part of the livelihood strategies of the rural poor across a wide range of developing country contexts. While past determinants of migration such as drought are still valid and important, there are new driving forces underlying the increase in population mobility. These forces are location specific and include improved communications and roads, new economic opportunities arising from urbanisation as well as the changing market context as economies become more globalised and liberalised.

2. The relative importance of migration is highly context specific as are its effects on the local agricultural economy and poverty reduction. In many parts of South Asia and Africa, remittances from RU migration are overtaking the income from agriculture as persistent drought and structural problems keep rural wages and work availability low. Remittances are also becoming more important than agriculture in China but in this case the main driver appears to be the expansion of the manufacturing industry and rising urban wages.

3. Even though a majority of poor migrants are employed in the informal or unorganised urban sector, they can earn more than they would be able to within traditional agricultural labouring or marginal farming arrangements. Contrary to received wisdom on the urban informal sector, it is an important route out of poverty for the poor.

4. Apart from smoothing income flows, remittances increase disposable income which is then invested in a variety of production and consumption uses. The available data on remittance investment patterns seem to suggest that the bulk is spent on consumption, both conspicuous and for subsistence. This in itself is not a major cause for concern if the remittances are used by the very poor for meeting basic needs such as food and nutrition, clean water etc and reducing their debt burden. Other kinds of consumption spending may also have a positive impact on the local economy. Conspicuous consumption on imported status goods may not have such positive spin-offs.

5. While village studies illustrate the complexity of the causes and impacts of migration, macro-level surveys remain highly inadequate at capturing the multi-locational nature of livelihoods. The main problem is that they collect information on full-time and year-round occupations and tend to omit part-time and seasonal work. And like most quantitative surveys they tend to miss or underplay the importance of social, cultural, historical and political factors. Thus migration is still poorly understood by those who rely on such data – policy makers and bureaucrats.

6. But a lack of understanding is not the only issue - nearly everywhere migration is viewed by governments as a socially and economically destabilising process. Officials are also reluctant to engage with a problem that is politically and administratively difficult because of its transboundary and interdepartmental nature.

7. Negative views of migration influence policies in a variety of ways. For example many rural development and natural resource management programmes have an implicit aim of controlling population movements. Similarly, occupations pursued by the poor in the urban informal sector are heavily regulated. And most of the laws instated to protect the rights to decent working conditions and wages continue to be disregarded possibly because of a lack of political will to implement them properly.

8. Combining rural and urban livelihoods provides a dual advantage to the poor; agricultural labouring and marginal farming are important safety nets when urban employment is mainly in the high risk informal sector. Commuting is the most preferred mobility option because it allows people to keep rural social and economic links alive and cuts down the considerable costs of food and housing in
urban locations. It also allows households to retain access to government services that are based on resident criteria such as subsidised food, healthcare and education.

The recommendations based on these findings are as follows:

1. **Improve the understanding of migration patterns**

   Large scale demographic and employment surveys need to be restructured so that they can capture part-time and seasonal occupations including temporary migration and commuting. Methods must be broadened to include more qualitative techniques and case studies.

2. **Integrate migration and commuting concerns into PRSPs, CASs, National Plans**

   Migration and commuting concerns need to be brought into the debates on regional planning. There needs to be a greater recognition of the contribution of current and future mobility to development and poverty reduction.

3. **Identify the conditions which stimulate the productive use of remittances**

   Examples of productive investment of remittances should be studied to understand where and how this has occurred. The information from such studies can be used to identify appropriate complementary interventions.

4. **Identify locations/situations where it would make more sense to facilitate the movement of people**

   This would need to be decided on a case by case basis, say at the district level in order to accommodate location specific historical, agro-ecological factors as well rates of urbanisation and agricultural development.

5. **Design transport services to suit poor migrants and commuters**

   Incorporate previous experiences collected from social impact studies of transport interventions, into the appraisal of new schemes. An awareness of how transport has been used by the poor should be reflected in the plans when urban restructuring is being undertaken.

6. **Review existing laws and regulations that apply to the urban informal sector**

   Laws and regulations that apply to urban informal sector enterprise and employment should be reviewed urgently with the objective of simplifying and minimising them so that the poor can start to benefit fully from urbanisation.

7. **Where necessary identify appropriate technical and market training for potential migrants**

   Careful needs assessment should be employed to identify the kinds of training that would benefit potential migrants in their search for jobs. The training could also incorporate issues related to their rights so that they can improve their bargaining position.
The issue: increased mobility and the growing importance of remittances in rural household economies

Urban and rural areas all over the developing world are becoming more closely linked socially, economically and politically. An important manifestation of this is the increasing mobility of rural populations through temporary migration and commuting. Consequent to increases in rural mobility are increases in remittances as a proportion of total household income. The available evidence suggests that remittances from urban, mainly non-farm sources of employment, are gaining in importance and in some locations have overtaken even agriculture as the main source of income although the household continues to reside in a rural area.

Apart from smoothing income flows by providing employment during the agricultural lean season, temporary migration and commuting to urban centres are undertaken for increasing disposable income which is then invested in a variety of production and consumption uses. However, the relative importance of migration is highly context specific as are its effects on the local agricultural economy and poverty reduction.

While international remittance flows have been estimated for a number of countries there is not much information on internal remittance flows although they are likely to be much larger because of the larger numbers of people involved, especially in countries like India and China. In China a recent Ministry of Agriculture sample survey of 20,089 rural households estimated that in 2004, the remittance contribution by migrant workers to rural household incomes was about to overtake earnings from agriculture [quoted in Harris 2004]. These projections were made on the basis of the previous year’s figures where the 98 million or so rural outmigrants remitted roughly Rmb 370 billion. This was 8.8 per cent up from the previous year. The reasons for the increase in RU migration are a removal of restrictions as well as the increase in the demand for urban workers and the resulting rise in urban wages as manufacturing is expanding.

In South Asia the situation seems to be more complex. In some areas the main driver of RU migration is the lack of availability of work in drought prone villages where “push” factors are more important than “pull” factors. In other areas, particularly those close to urban centres, urbanisation is the main pull. A third and more recent factor that has led to an increase in mobility is the change in agricultural markets brought about by liberalisation and globalisation. Marginal farmers and other poor groups who cannot compete may be pushed out to urban areas for work. Although the older studies on migration almost always emphasised the distress dimensions of migration [Murthy, 1991; Reddy 1990; Rao, 1994 for example write about migration for “survival” identifying the main drivers as the worsening situation of dryland agriculture created by drought and crop failure], new research has shown that more accumulative migration is occurring [Deshingkar and Start 2003, Rao 2001] and that sending one or more persons to work in a distant location for part of the year has become a routine livelihood strategy for many rural households. Rogaly and Coppard [2003] observe that wage workers in West Bengal now view migration as a way of accumulating a useful lump sum, rather than, as in the past, simply surviving.

Village studies from India conducted in the last five years show a marked increase in temporary migration. While some of these studies are based on resurveys of villages [see for instance the work by Singh and Karan 2001, Karan 2003 in Bihar and Dayal and Karan 2003 in Jharkhand] others have used recall to arrive at this conclusion [Rao 2001 in Ananthapur, APRLP 2003 in Mahbubnagar, Khandelwal and Katiyar 2003 in South Rajasthan, and Grameen Vikas Trust (pers.

On the significance of remittances, it was believed by many scholars for a long time that remittances form an insubstantial part of village income. A major proponent of this theory was Lipton [1988] who based his argument on the IDS village studies [Connell 1976] which estimated remittances at 2-7 per cent of village incomes, and less for poor labourers. However, new evidence suggests that this is not necessarily the case. Deshingkar and Start’s [2003] research in unirrigated and forested villages of Madhya Pradesh showed that migration earnings accounted for more than half of the annual labouring earnings. In the more prosperous State of Andhra Pradesh, the overall contribution was much lower but in the village that was in the unirrigated and poor north-western corner, migration contributed 51% of household earnings. However migration income was both from farm and non-farm sources and the relative importance of each depended on the particular skill base and historical migration pattern. Mosse et al. (1997) report from a study in tribal areas of western India that earnings from migration contribute on average 86% of cash income and that 80–90% of households have at least one migrating member.

Although there are fewer studies from Bangladesh, those that exist show the increasing importance of migration and commuting. Afsar [2002] found that migration and daily commuting from villages to urban centres, *upazilla* and district headquarters for work is a growing phenomenon. A study by Faraizi [1993 quoted in de Haan 1999] in three villages in Faridpur, Bangladesh shows that nearly 40 percent of the male working population migrates temporarily. All in all the seasonal migration of labourers in Bangladesh is more prevalent than officially acknowledged [Jabbar 1988]. While many of these workers go to the urban construction industry and very large number also work in the ready made garments (RMG) industry. Afsar [2003] estimates that 90 percent of 1.5 million workers the RMG industry are migrants from rural areas.

There is similar evidence from other parts of Asia; Sheng [1986] for instance maintains that the population of some cities in grows by 10 per cent during the dry season owing to temporary migration. Numerous studies conducted by Hugo in Indonesia from the 1970s onwards demonstrate the widespread incidence and socio-economic significance of circular migration and commuting from rural to urban areas [Hugo 2003]. He stresses that while there are no substantiating data collected in censuses or national surveys it is clear that the tempo of non-permanent movement has greatly increased over the last two decades. A comprehensive longitudinal study of 37 villages in Java carried out over the period 1967-91 [Collier et al. 1993] concluded that most of the landless rural families in Java have at least one person who is working outside of the village, and in a factory or service job.

The evidence on internal migration in Africa is more patchy although there too the increases in mobility and the growing importance of non-farm incomes become apparent. Western African studies reviewed in de Haan [1999] emphasise high rates of population mobility. On the importance of non-farm incomes, Reardon's [1997] review of 25 case studies in Africa showed that non-farm income contributed 22 to 93 per cent of total rural incomes. Migration earnings were as low as 20 per cent of the total non-farm income in villages that were away from major cities but as high as 75% of the total non-farm earnings in villages near major cities. Coulibaly’s [1984] work on the rural impact of migration in Sierra Leone suggests that remittances made up most of the total income for poorer households. Earlier studies have identified economic stagnation and structural adjustment as important drivers. Recent research [work by McCormick and Wabha, 2003 in Egypt
Do the poorest migrate?
A common assumption is that it is the poorest who migrate. But several studies have expressed doubts about this [Lipton 1980]. Breman for example in his study of south Gujarat noted that landless labourers, with fewer employment contacts than workers of other castes, faced greater problems finding a job. On the other hand, for those with enough income to pay for a three month apprenticeship, migration was more rewarding and allowed them to scale the job ladder [Breman, 1996]. In the same vein Skeldon (2002) observes:

In apparent contradiction to the logic of survival migration, the general finding of most studies of migration in non-disaster situations is that it is not the poorest who move but those with access to some resources, no matter how meagre these might appear. Migration always involves some costs of transportation and the abandonment of many of the few possessions the poor might have. The poorest of the poor cannot afford either risk or movement and the majority starves in situ.

Village research in India conducted by Connell et al., [1976] showed that the landless are the least likely to migrate. Yadava et al. [1996] note a positive relationship between landholding and migration in India. However not all agree with this analysis and although the poorest in rural areas may find it difficult to migrate, there are data showing that in some areas the poorest do migrate.

More women are migrating
Historically, migration was dominated by single men. Early studies of migration found males aged between 15-30 years with more education than the average rural worker and with contacts or capital required for the initial transport and establishment costs had the highest propensity to migrate. But recent studies have shown that more and more women are migrating for work. Women are migrating independently and not just as accompanying spouses. This so-called “autonomous female migration” has increased and has become more socially acceptable in South Asia. Although the migration of women has increased rapidly, particularly to certain industries like prawn processing, it is still not on the same scale as South America and SE Asia.

Official statistics tell a different story.
In contrast to the narrative that is developing through micro-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.

In India for instance, the 2001 National census and 1999-2000 NSS data show a slow down in permanent or long-term RU migration rates despite increasing inter-regional inequalities [Kundu 2003]. Kundu [pers comm] calculates that RU migration has declined by 1.5 percentage points, even allowing for a decline in the fertility rate, increases in urban boundaries and the emergence of new towns. This is because of the inability of conventional surveys on occupation and residence to capture information related to temporary movement and part-time occupations.

In Pakistan too rural-urban migration and urbanisation remain underemphasised because of definitions of “urban” and “rural” and also the way that surveys collect information [Gazdar, 2003]. The Population Census is the main source of data and this can only capture permanent relocations.
Other datasets such as the Labour Force Survey and the Integrated Household Surveys provide more detailed information on place of origin (rural or urban) but they also use the census to define their sampling frames.

Hugo [2003] notes that the examination of RU migration in Indonesia is made difficult by the fact that national census migration data do not differentiate between urban and rural origins of migrants; census data do not detect migration within provinces and a great deal of rural to urban migration occurs within provinces. Some indication of the importance of intra-provincial rural-urban migration is evident in the results from the 1995 intercensal survey. Although this survey suffers from the problems associated with small clustered samples for identifying migration patterns [Hugo 1982], it gives some interesting insights into migration within provinces. However, the survey does not detect inter-provincial movement since it only counts movement within kabupaten boundaries.

Similarly in Vietnam, official data suggested that there was very little movement to the cities in the mid 1990s. But unofficial estimates suggested that as many as 700,000 people were migrating to urban areas each year [ANU E Press 2003]. Another example of the inadequacy of official data in explaining migration patterns is South Africa. Researchers have found several limitations in the data derived from the 1993 Project for Statistics on Living Standards and Development (PSLSD) and the 1995, 1997 and 1999 October Household surveys [Posel and Casale 1993].

The policy mind block: Negative views of migration

A lack of understanding is not the only issue - nearly everywhere migration is viewed as a socially and economically destabilising process by governments. The Report of the International Conference on Population and Development\(^1\) [1994] notes that in the early 1990s, approximately half of the Governments in the world, mostly those of developing countries, considered the patterns of population distribution in their territories to be unsatisfactory and wished to modify them. In an illuminating piece of work Waddington [2003] shows that 23 out of a total of 44 country Interim PRSPs\(^2\) treat migration as a negative phenomenon. Seventeen PRSPs mention migration as a cause of degradation of rural and urban ecological resources. Eight countries specifically attribute rural-urban migration as the cause of urban poverty. Some associate the spread of HIV/AIDS and migration, and seven attribute increasing crime to migration.

Rather than admitting that the poverty and social problems witnessed in many urbanising areas today are a failure of government to respond to an inevitable process of people moving away from agriculture into urban areas, the blame has been shifted to migrants themselves. Not only that, poor immigrants are viewed as a burden rather than the asset which they clearly are. Although the bulk of house and office block construction, road repairs and flyover building in urban areas of South Asia are done by migrant labourers, their contributions are unrecognised and they have few entitlements by way of secure housing, decent working conditions and fair wages. Both the employers (through labour contractors) and the government officers, responsible for protecting their rights, routinely flout regulations and laws because there is no political will to safeguard the interests of migrants. Migrant labourers are often not unionised and cannot easily fight against mistreatment.

\(^1\) Cairo, 5-13 September 1994 Chapter IX Population Distribution, Urbanization And Internal Migration
\(^2\) In many developing countries, the poverty reduction strategy paper (PRSP) is the government’s main policy document relating to poverty.
Urbanisation as a driving force

Urbanisation is an important driving force in migration and commuting because urban areas offer many economic opportunities to rural people through better paid jobs, new skills and cultural changes. These may be particularly beneficial to historically disadvantaged groups such as tribals, lower castes (in South Asia) and women. Contrary to conventional wisdom on urbanisation and migration, high rates of migration (permanent and temporary) into urbanised areas have continued despite the fact that many migrants live in appalling conditions and work in the informal sector which offers uncertain and underpaid work. This is because urban labour markets offer unmatched opportunities to switch jobs rapidly, diversify incomes, and become upwardly mobile with a very low asset-base and skills.

Currently more than half the populations of Africa, Asia and Latin America live in urban centres with less than half a million inhabitants, many of them in market towns and administrative centres with between 5,000 and 100,000 inhabitants [Tacoli and Satterthwaite 2002]. In Asia the proportion of the population living in urban areas has doubled in the last 50 years from 17.1% of the total population in 1950 to 34.9% in 2000 [United Nations 2001]. The available evidence suggests [Stevens et al 2004] that all countries are converging towards a situation in which the majority of their populations are based in urban areas.

Urbanisation is progressing at different rates around the world. Attempts to explain this variation typically find that, although the rate of economic growth shows little correlation with the rate of urbanisation, the pattern of economic growth does. Growth based on the expansion of manufacturing tends to be associated with higher rates of urbanisation while growth based on the expansion of agriculture is associated with the opposite. This has important implications in terms of future urbanisation prospects. Rates of urbanisation influence, and are in turn influenced by, rural-urban wage differences. Migration and commuting can equalise wages by increasing the supply of labour in urban areas. On the other hand, an increase in the demand for labour in urban areas will push up urban wages and possibly increase migration. Trends in income and poverty gaps between rural and urban areas reviewed by IFAD [2001] and Eastwood and Lipton [2000] suggest some broad patterns. One is that rural-urban differences in average incomes and poverty rates rose in many South and East Asian countries during the 1990s, especially in China. Another is that those differences fell in most African countries over the same period. In India, average incomes rose more rapidly in urban than in rural areas between 1993 and 2000, implying a widening of gaps in average incomes between rural and urban areas [Deaton and Dreze 2002].

An interesting question is how agreements through the World Trade Organisation will affect urbanisation [Stevens et al., 2004]. It is likely that countries such as China, whose comparative advantage lies mainly in labour-intensive manufactured products, will see an acceleration of rural-urban migration. The driving force will be the expansion of labour-intensive exports, which will boost the demand for labour in urban areas, and raise wage gaps between urban and rural areas. South Asia on the other hand is likely to have a greater emphasis on agricultural produce and the export of skilled services such as IT both of which may not create such a great demand for labour in urbanised areas. But at the same time cheap imports can threaten local agricultural production systems with the result that illiterate people with a limited skills base might migrate to urban areas in search of work. Box 1.
Groundnut was once regarded as the ‘wonder-crop’ that allowed small farmers in dry areas to use their family labour productively and earn substantial cash profits. It spread rapidly during the 1960s in the drought-prone Rayalaseema region of Andhra Pradesh, and has been credited with breaking the system of bonded labour in the area. But the profitability of groundnut like many other crops has fallen over the 1990s due to rising input costs and drought. Lately diseases such as bud necrosis have also led to heavy losses. In several parts of Ananthapur and Chittoor districts of Andhra Pradesh, groundnut used to be the first choice for dryland farmers during normal monsoon years. A common ex-ante coping strategy followed by dryland farmers in these areas was to plant horsegram or foxtail millet if they expect the rains to fail. But they continued with groundnut farming even through worsening drought and disease because just one good crop in three years would be enough to feed a family.

However this form of livelihood could not survive the added stress introduced by the liberalization of edible oil imports. The import duty on edible oils was reduced from 65% in the mid 1990s to 15% by the end of the 1990s. The share of imported edible oil, mainly palm oil, has increased from less than one percent in the early 1990s to about 45 per cent by 2001 [Conroy and Rao 2001]. The government responded by increasing import duties but international prices declined further and other countries gave their exporters further concessions in order to capture the lucrative Indian market. Groundnut prices fell and many farmers who were locked into credit-sale agreements could not repay their debts. Hundreds of farmers in Rayalseema have committed suicide because they could not recover their costs and pay back money that they had borrowed. A few with sufficient capital, skills and contacts diversified into mango orchards. Many more started migrating out to the cities in search of work.

Until very recently sericulture was highly profitable and had benefited a large number of poor lower caste households in Chittoor district. In 2001 India was the second largest producer of mulberry raw silk in the world. It was also the world’s largest consumer of the silk as well as the largest importer [Kumaresan 2001]. Before import restrictions were removed, there was a good market for home produced silk using traditional varieties of worm and mulberry. Sericulture posed few entry barriers and was rapidly adopted by all classes, including even the disabled and sick. Sericulture was reported as the primary occupation by nearly 30% of the households in both marginal farmer and small farmer categories in the two Chittoor villages studied. But sericulture was completely wiped out by mid 2002 as prices crashed due to cheap imports from China. All mulberry plantations had been removed and there was not a single cocoon in sight. This was clearly happening elsewhere in the Karnataka-Andhra Pradesh border region because the Central Silk Board had filed a petition against Chinese “dumping” on behalf of all cottage/filature/multiend silk reelers and farmers located in the States of Karnataka, Tamil Nadu and Andhra Pradesh through their associations [Business Line July 18 2002].

Evidence is emerging from other parts of India of people moving away from farming due to macroeconomic reforms where the reduction of subsidies and removal of inter-district movements of grains have put some smaller farmers out of business. But the evidence is very scanty. Recent research by PK Ghosh and Barbara Harriss-White in Birbhum and Bardhaman districts of West Bengal suggests that paddy producers are facing heavy losses as prices fell sharply by over 50% since 1999. This situation was created by the de-restriction of inter-State transport which has allowed cheaper paddy to come in from Bihar, as well as from Jharkhand and Orissa where distress sales were occurring. This is an area that requires attention urgently because of its effects on the rural poor and population movements.

**Commuting to urban areas**

Long distance commuting has become characteristic of Asia’s largest cities involving a range of transport arrangements but especially buses and trains. For many, commuting and seasonal migration offer the chance to combine the best of a rural, village based existence with urban opportunities (see Box 2).
Box 2 Why people may prefer temporary mobility to a permanent move away from the village

- Seasonal migration and commuting provides a route to diversification into non-farm work which is rarely available in smaller, more remote villages, and this helps to spread risks
- However, employment in the urban unorganised sector is insecure and many prefer to keep rural options open; agricultural labour and marginal farming remain important safety nets for the poor and vulnerable.
- Supporting a family in the village is cheaper especially if the bread-winner is earning in a town or a city
- In areas with good roads and transport services people can travel back home easily for peak agricultural seasons, festivals and ceremonies.

Source: Deshingkar and Anderson [2004]

The findings from the Livelihood Options project, a three year DFID-funded policy study in Madhya Pradesh and Andhra Pradesh, help us to understand under what circumstances people commute, migrate seasonally or move away altogether.

MP is a relatively poor and backward state in India and is characterised by poor roads and underdeveloped communication networks. Non-farm options within and around villages are very limited. Work availability in rainfed agriculture and forested areas is very limited and migration has become an important livelihood strategy. Figures collected across nearly 1300 households show that temporary migration rates here were several times higher than in the more developed state of Andhra Pradesh. On average nearly 47% of the households in MP had at least one member migrating, with extremes in the remote villages where the rate was between 64% and 75%. On the other hand only 25% of the households in AP were migrating although there were pockets of very high outmigration in the northwest where 78% of the households were involved.

The reasons for not migrating more permanently were that poor workers did not have the social and political connections or capital to settle in a distant and expensive urban location. Added to this was the high risk associated with urban work which, being informal, did not come with guarantees related to the duration of the contract, remuneration or payment schedule. Keeping one foot in the rural economy provided a safety net.

Commuting was more widespread in AP with 12% of the households on average sending one person to work in a nearby urban location. There are plenty of non-farm opportunities near villages in AP as it is a much more developed state with good roads, communication networks and urbanising pockets (larger villages, urban peripheries, small towns). Commuting was predictably more important in the villages better connected to nearby rice mills, shops, service industries and government establishments. Commuting offers the dual advantage of higher earning in non-farm work while keeping one foot in the farm economy and reducing both the risks associated with longer term migration, and the outgoings on food, shelter, healthcare and schooling. Where available, it was the preferred “mobility” option.

The informal sector labour market in urban areas

Since both public and private modern sectors are not keeping pace with job creation for an increasing labour force in urban areas, poor migrants and commuters in the city tend to find work in
the urban informal or unorganised sector. These activities generally involve petty business, services or non-farm labouring including street vending, shoe shining, bicycle rickshaw driving, loading and unloading, cleaning etc. Conventional development theory conceptualises a dual labour market in urban areas where the informal sector is disadvantaged, poorly paid and unprotected and where workers go if they are unable to find work in the superior, formal sector. The ‘over-urbanisation’ theory [Hoselitz 1957] for instance, predicts that migrants supply far more labour than the organised sector can absorb. Labour absorption by the unorganised sector then leads to low productivity and limited prospects for exiting poverty. The experience of several decades has shown that most migrants never “graduate” to the formal sector, by contrast with the much cited conceptualisation of Harris and Todaro [1970]. There is usually marked occupational segmentation in the informal sector where workers in particular occupations tend to come from the same areas of origin or ethnic communities.

Seasonal migrants working in the construction sector in Southern Indian cities may work freelance or under a contractor. If they work freelance then the men earn roughly Rs 80/day (USD 1.5/day) and women earn Rs 60. Although the wages are reasonable, work is not available every day and most average three working days a week. Women may also work as domestic maids in nearby houses. They spend roughly half of the income at the destination and earn roughly Rs 4,000/year through such work. In cases where the contractor travels to the village to round up labourers and take them to jobs in the city, he usually has to bear the travelling expenses (one way not return) and the cost of food. He may give an advance to the labourers to send remittances to their family. He later cuts all of these expenses from their wages. Working under a labour contractor gives migrants more days of work but the contractors take a 15% cut of the wages as their commission.

Structuralists such as Breman [1985, 1993, and 1996] maintain that migrants will always remain underpaid and never be able to move out of a survival situation because most of the profits from their work are creamed off by exploitative middlemen and contractors. For example, Olsen and Ramana Murthy’s [2000] study of the legendary Palamur labourers from Mahbubnagar district in Andhra Pradesh describes the situation of migrant workers as follows:

For labourers coming from landless and small peasant households struggling to subsist, the maistries (contractors) are practically monopoly creditors and monopsony buyers of their labour power in the absence of alternative sources of credit and employment.

Exploitation according to them is both direct through wages that are much lower than the market wage and indirect through the extraction of overtime and child labour. They compare migrant labour contracts to feudalistic bonded labour contracts. They argue that intermediaries exercise control and power through traditional caste-based and patriarchal modes of oppression which resemble pre-existing social relations in the region. They accuse economists who view migration as voluntary as politically naïve because they refuse to recognise oppression and debt-bondage [Olsen, 1996]. Likewise Singh [2002], based on a study of labourers working in the unorganised sector in Delhi, argues that hardly any had graduated to the formal sector and continued to work as underpaid, ill informed and exploited workers. What is under-emphasised in this literature is the

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3 Informal refers to non-participation in tax and social security systems, and meeting regulatory requirements. This non-participation can be the result of legitimate exclusion (e.g., by size of firm) or from non-compliance [Phillipson 2004]. Unorganised workers are defined as those who have not been able to organise themselves in pursuit of common objectives on account of constraints like casual nature of employment, ignorance and illiteracy [First National Commission on Labour in India 1966-69]
facilitating role played by contractors and other intermediaries. They provide information on work availability and, in many instances, create a market where it would otherwise not have existed. While the contractors’ commissions are typically high in the early years when migrants are new to the job and completely lacking in skills and information, these may go down or even be eliminated with time as migrants make their own contacts and gain a better understanding of the urban labour market. The literature on internal migration in Indonesia similarly notes the important role of labour contractors [Hugo 2003].

There is undoubtedly a strong correlation between informal employment and urban poverty. But field evidence right from the 1970s [see for instance ILO publications on the subject] has established that the informal sector presents a strong pull in the process of migration and can in fact reduce poverty. Phillipson [2004] argues that the traditional view overstates the dualism of the labour market and does not adequately recognize the fact that informal sector activities contribute significantly to employment, incomes, and economic development and growth. She says, “In many economies, the character of the informal sector as dynamic and growing is sharply accentuated when juxtaposed against a stagnant and shrinking formal sector.” Indeed several observers suggest that migrants have been able to escape poverty, even by remaining in the unorganised sector. Deshingkar and Start [2003] document accumulative migration streams in both farm and non-farm work which have allowed numerous lower caste people in MP and AP to break out of caste constraints (which are especially strong in rural areas of India), find new opportunities, and escape poverty. Papola [1981] noted in the case of Ahmedabad city in India that although a majority of the migrants were in the informal sector employment, their urban earnings after migration were double their rural earnings. Harris [2004] cites the example of Bangalore where the urban slum and squatter population doubled from 1.12 million in 1991 to 2.2 million in 1998/9, a period in which poverty in the State of Karnataka, of which Bangalore is the capital, fell from 54 to 33 per cent. He rightly says that the urbanisation of the poor implicit in general urbanisation has the potential to bring many more of the poor to the locations most favourable to overcoming poverty.

Despite the importance of unorganised sector activities to the economy and the poor, most of these are regarded as illegal by city authorities. According to the Second National Commission on Labour [2002] 369 million or 90.6% of the workers in India are in the unorganised sector. But because both demand and supply are so powerful, these services and businesses persist and fuel rent-seeking among petty officials and policemen that is of gargantuan proportions [see the work by NC Saxena and Madhu Kishwar on the “licence permit Raj” in India]. Clearly there is a need to review government and donor policies to ensure that they are not hostile to the livelihood strategies pursued by a majority of the urban poor in the informal sector.

**Structural rigidities in the local agricultural labour market**

The “pull” of informal sector work in urban areas is partly explained by the persistence of low wages in rural areas. Take the case of India where nearly 40% of the working population is employed as agricultural labourers. Agricultural labourers are one of the most dispossessed and socially and politically deprived groups. They are usually from the lower castes that were historically disadvantaged. Agricultural labour contracts are verbal almost everywhere and the terms for the labourer range from exploitative to remunerative. The strongest determinant of wages is agricultural productivity with high productivity crops offering the highest wages. However in low productivity situations, wages are low and arguably lower than the statutory minimum because of the monopoly or monopsony power exercised by landlords and other locally powerful people in controlling access to credit and employment and keeping wages down. The poor are usually
trapped in a situation of permanent debt and are in “interlocked” trading arrangements where they sell (labour) cheaply and buy (credit, food etc) expensively from their patrons. Owing to the highly seasonal nature of rainfed farming, most labourers traditionally did not earn enough throughout the year to escape debt and did not have the capital, skill or connections to diversify into other occupations. Migration has offered them an option to earn during the lean season, escape local caste domination and save money.

Areas of remaining debate

This section lists the remaining contested policy areas and discusses contrasting viewpoints using the available evidence.

i. Does migration reduce poverty?

Research on migration has long grappled with the question of whether migration increases or reduces poverty. A consensus has not been achieved partly because of the paucity of information and partly because of the tremendous variation across contexts and ethnic groups. The poverty reduction impact depends on a variety of factors. First, is the availability of surplus labour within the household and village and whether outmigration increases labour scarcity. A study of Malawi quoted in de Haan [1999] showed that the outmigration of men resulted in 45 per cent of women performing tasks once handled by men. These women were already over-burdened and remittances were often too low to hire in labour. A slightly different conclusion has been drawn in David’s (1995) study in the Sahel. She found that the impacts of male outmigration on household availability were minimal in locations where there were extended family networks and other male relatives helped out with the traditionally male tasks. New research by Yang [2004] on internal migration in China shows that contrary to the conventional wisdom that a huge flow of rural labourers disrupts agricultural production, total grain output in the study locations declined by less than 2 percent while household disposable income increased by 16 percent as a result of migration. The large gain in income arises mainly from the difference between the high urban wage rate and extremely low marginal product of labour in agriculture.

Another possible impact of labour depletion is the increase in local wages and/or mechanisation of farm operations. Based on the Bangladeshi experience Hossain [2003] argues that migration and the shift of the rural labour force to non-farm occupations have created labour shortages which have encouraged mechanization; 70 per cent of land has been brought under power tillers and this has raised rural productivity and created scope for innovation. Afsar [2003] argues that migration expands rural land and labour markets by making more rural land available for tenancy. The much quoted research by Tiffen et.al. 1994 established that remittances played a significant role in agricultural intensification. Finally, migrants may bring back new skills and ambitions that can help them to set up new non-farm enterprises [see Harris 2004 who cites the example of Mexican migrants establishing RMG plants] or improve agricultural practices [Lakshmanasamy 1990 cites several examples from India].

On remittance investment patterns, the new consensus appears to be that the bulk of remittances are still used for conspicuous consumption and subsistence [see for example Islam 1991, de Haan 1999, Afsar 2003, Sheila Bhalla pers. comm.] and only a small proportion is invested in production. However this is not necessarily a cause for concern, especially if the additional income is used to
improve the nutrition and health status of the household. It has also been argued that remittances spent on consumption can generate both direct and indirect benefits with multiplier effects on poverty alleviation, regional development and overall development. For example Afsar 2003 argues that although consumption expenditure constitutes 37-90 per cent of the overseas and urban remittances in Bangladesh, increased consumption expenditure by migrant households can trigger investment by other households or firms to meet this demand, which may create income multipliers in migrant-source economies [see also Taylor, 1999]. The problem then arises when remittances are spent on expensive, often imported, status goods which have a very limited positive impact on poverty reduction in the household or local economy.

Thus, a loss of labour through migration may or may not reduce agricultural production; remittances may or may not increase access to assets by alleviating credit constraints; this in turn may or may not increase agricultural production and household incomes. Migrant remittances may or may not have wider impacts on the economy and on poverty. Given the rapidly changing “rural reality” more research is needed on the causes and impacts of migration particularly in relation to labour markets, agricultural productivity and poverty reduction.

What is especially missing is at least some systematic understanding of the circumstances under which remittances are used productively and/or consumption uses generate positive impacts on the local economy and what can be done by policy to create these preconditions. An informed guess would be that nutritionally secure households that are free of heavy debt burdens would be more likely to invest remittances in productive uses because they do not have any pressing consumption needs. It is also likely that those with higher levels of education and better access to resources make more productive use of the extra income because they have a better idea of how to invest more effectively. If this is the case then the current emphasis on investment in sectors such as health and education that are complementary to rural infrastructural development and agricultural will be further justified. For instance Cederstorm [1990] argues on the basis of research in Mexico that that the transformation of remittances into productive agricultural investment depends on the availability of irrigated land, degree of openness of the regional market, farmers’ experience in cash cropping, lack of alternative investments, and consumption values that favour investment over immediate consumption.

These kinds of hypotheses need to be tested more widely. A linked question is what aspirations people have for the future – and improved farming may not be one of them given the trend towards moving away from agriculture.

ii. Does migration reduce or increase inequality?

A commonly held view is that migration increases inequality. Lipton’s [1982] widely quoted work asserts that rural-urban migration does not tend to equalise incomes, between or within regions for the following reasons:

1. The selective nature of migration, providing higher returns to the better-off and better-educated, prevents equalisation within areas of origin.
2. There are costs and barriers and associated with migration, including access to information about opportunities, which tends to steer the gains of migration to the rich.

\[\text{taken from de Haan 1999.}\]
3. The absence of the most productive household members leads to a lowering of labour-intensity, which according to Lipton is “socially maladaptive, especially in the medium run, while the rural work force is growing much faster than other, scarcer ... factors of production”

4. The volume of net remittances is usually low, and

5. Return migrants are likely to be the old, sick, and unsuccessful, and skills brought back are unlikely to be of much help.

Several authors have agreed with this analysis (see for example Haberfeld et al, 1999; Kawahara, 1990; Kirchner, 1980; Cederstrom, T, 1990; Taylor and Wyatt, 1996 all quoted in Abril and Rogaly 2001). But a few have disagreed. Adams (1996) shows that while international migration increases inequality in Pakistan internal migration decreases it. Oberai and Singh’s [1983] reasoning is that inequality may be reduced if the very poor migrate, as the resulting increase in wages will bring up the wages of those who were at the bottom of the scale. Migration may also reduce inter-regional inequality. New research by Yang in Thailand has shown that remittances help redistribute income toward poor provinces, resulting in a lower level of cross-province inequality in household incomes [Yang 2004].

iii. Can increasing agricultural incomes halt or reverse migration?

An important aim of agriculture and rural development policy has been to reduce RU migration through increases in per capita earnings derived from increased agricultural investment [see for example Goldman et al n.d., Todaro, 1976]. This is based on the logic that people would not migrate if enough work/income was available locally. Earlier approaches tried to achieve this through the promotion of irrigation, high yielding varieties and agro-chemicals. But these tended to benefit only some areas while others (usually “remote”, “difficult”, “weakly integrated” or “less-endowed” areas) lagged behind. Now there is renewed hope for these weakly integrated or less endowed areas. In a highly influential piece of research Fan and Hazell [2000] have argued that increased public investment in roads, agricultural research and education in many less-favoured areas may generate competitive if not greater agricultural growth than comparable investments in many high-potential areas and that these investments could have a greater impact on the poverty in such areas [Fan, Hazell and Haque, 2000].

There is little doubt that improving the productivity of agriculture has an impact on poverty reduction because a majority of the poor live in rural areas and are largely dependent on agriculture either directly or through labouring. A recent, 58 country study commissioned by DFID shows that for each percentage point increase in agricultural productivity there was a 0.6-1.2% decrease in the number of people earning less than a dollar a day [Thirtle et al 2002]. The reality on the ground however is that agricultural growth remains low despite vast investments. The latest figures suggest that agricultural growth is less than 2% p.a. on aggregate which is too slow for poverty reduction in many rural areas\(^5\). Not only that, the growth rate in South Asia is declining. The connection, if any and of what kind, between this and growing mobility needs to be better understood. This is especially important given that South Asia is currently home to 490 million of the world’s poor. At the same time the increased agricultural growth rate in SSA provides optimism.

\(^5\) presentation made by Kevin Cleaver Sector Director, Agriculture and Rural Development, The World Bank
Rural Week in March 2004
In any case we are currently witnessing a renewed interest in agriculture, forests, water and rural development among important donors. World Bank lending for rural development increased from $5 billion in FY02 (25% of total Bank lending) to $7.5 b in FY03 (41%). Projections for agricultural lending are $2.4 b in FY04 and $3.4 b in FY05. The biggest expansion in lending was for rural infrastructure; not agriculture. Also expanding is rural social sector lending (education, eradicating HIV/AIDS) and rural environmental lending. This is the right time to decide where investments are likely to have the greatest impacts on the rural poor and perhaps a good point to raise the importance of migration in the livelihood strategies of the poor. The importance of mobility as a potentially levelling process in regional differences should also be recognised. The investments in education and health could help in the productive use of remittances as discussed previously and provide the preconditions needed to spur agricultural growth.

iv. Should more be done to facilitate the mobility of people?

Given the massive scale of investment needed to install even basic infrastructure in weakly-integrated rural areas and the growing search for jobs in urban areas, donors and policy makers should be addressing the question of whether more should be done to facilitate the mobility of the population. This is particularly relevant as experience has shown that the prospects of strong agriculture and NR-based growth in the more remote and dry areas can continue to be poor even with infrastructure in place.

Some lessons could be drawn from the recent experience of China. Stringent residency rules until recently meant that there were 70-120 million “floating” people who had no claims on state resources. A new household registration system is now under consideration to allow long-term city residents and business or property owners in cities to become legal residents. There are also proposals to facilitate migration. For example, experts at the Chinese Academy of Social Sciences recommended massive migration projects to move people out of the deforested upper Yangtze River\(^6\). Similarly the county government in Yongjing has decided that it will be more cost effective to move populations from inaccessible locations rather than struggle to provide them with the services that they lack [IDS 2003]. Not only that the public authorities have started to train workers to help them to find work in other provinces [Harris 2004]. Similar steps were taken by the Himachal Pradesh government in India [pers. comm. Sheila Bhalla] with success.

Areas for further investigation and action

The discussion above shows that there are still many contentious issues and it is still difficult to make generalisations about the causes and effects of migration. Some of these gaps in understanding can be narrowed by collecting fresh evidence as the situations is changing so rapidly with recent trends in agricultural growth rates, urbanisation and globalisation. A few broad areas for further inquiry are listed below. Not all of them apply to agriculture. Some could be regarded as “urban” but have been included here nevertheless because of the strong backward and forward linkages between rural and urban development through migration.

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1. **Improve the understanding of migration patterns**

Large scale demographic and employment surveys need to be restructured so that they can capture part-time and seasonal occupations including temporary migration and commuting. Purely quantitative methods and questionnaire surveys cannot capture many non-economic factors such as gender relations, power relations within society, people’s preferences and priorities, cultural differences etc. all of which influence migration patterns and remittance utilisation. Methods must therefore be broadened to include more qualitative techniques and case studies.

2. **Integrate migration and commuting into PRSPs, CASs, National Plans**

At present most key policy documents related to rural development, agriculture and poverty reduction pay little or no attention to migration. These should be reviewed where possible to integrate migration and commuting concerns. There needs to be a greater recognition of the contribution of current and future mobility to development and poverty reduction.

3. **Identify the conditions which stimulate the productive use of remittances**

Examples of productive investment of remittances should be studied to understand where and how this has occurred by giving special attention to:

- Labour availability and household labour allocation decisions, how gender roles and cultural factors influences these decisions and the impacts of labour depletion on the household and local economy
- The skills base of migrants and how/if this has changed through migration and what contribution that has made to developing/enhancing agriculture or enterprise in the source village
- Existing constraints faced by the poor in key agricultural markets such as credit and labour and how remittances are used in situations of persistent debt created by interlocked markets – do remittances help the poor in escaping from these arrangements?
- Availability of key natural resources – water and land are probably the most important. Are remittances invested in buying more land and is this used for production soon, later or never? Does the availability of water affect this pattern?

The information from such studies can be used to identify appropriate complementary interventions. The obvious ones are education and health – i.e. more educated and healthier farmers are more likely to spend on better farm inputs and technologies etc.

4. **Identify locations/situations where it would make more sense to facilitate the movement of people**

This would need to be decided on a case by case basis, say at the district level, in order to accommodate location specific historical and agro-ecological factors as well the rates of urbanisation and agricultural development. The Chinese example is informative because mobility is being encouraged to reduce rural poverty and sustain the rural economy.

5. **Design transport services to suit poor migrants and commuters**
A number of research projects on transport conducted by ITDG and also under the DFID Knowledge and Research (KAR) programme have noted that transport constraints have significant impacts on rural livelihoods and that transport service provision is a high priority for the rural poor. Two points are especially relevant:

- The need to incorporate previous experiences collected from social impact studies of transport interventions into the appraisal of new schemes.
- The need to be aware of how transport has been used by the poor when urban restructuring is being undertaken (the development of new towns and satellite cities, or internal restructuring directly aimed at the urban poor).

6. **Review existing laws and regulations that apply to migration and informal sector employment and enterprise to ensure that they are not anti-poor.**

The current set-up in several countries demands that people who wish to sell anything or set up a small business go through several official hurdles before they can acquire a licence and become legitimate. A majority of poor people opt out of this because of the complex bureaucratic procedures involved. This makes criminals out of nearly all petty businessmen, street hawkers and vendors, food sellers and several kinds of labourers. Ways have to be found of minimising and simplifying laws.

7. **Where necessary identify appropriate technical and market training for potential migrants**

Careful needs assessment should be employed to identify the kinds of training that would benefit potential migrants in their search for jobs. The experience of China and Himachal Pradesh discussed previously provide useful examples. The training could also incorporate issues related to their rights so that they can improve their bargaining position.

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