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Moving to despair? Migration and well-being in Pakistan

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ABSTRACT

Internal migration has the potential to substantially increase incomes, especially for the poor in developing countries, and yet migration rates remain low. We evaluate the impact of internal migration on both objective and subjective measures of well-being using a unique longitudinal study in rural Pakistan spanning 1991–2013. We account for selection using covariate matching. Migrants have roughly 35–40 percent higher consumption, yet are less likely to report being happy, calm and/or in excellent health, and more likely to report having been sick recently. Our results suggest that deteriorating physical health coupled with feelings of stress and relative deprivation underlie the disparity between objective and subjective well-being. Thus, despite substantial monetary gains from migration, people may be happier and less mentally distressed by remaining at home. If traditional market mechanisms cannot reduce psychic costs, it may be more constructive to address regional inequality by shifting production – rather than workers – across space.

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1. Introduction

Low migration rates are often cited as a potential explanation for the lack of convergence in income around the world. Internal migration in particular, which is not constrained by the policies of other nations, has the potential to substantially increase incomes—especially for the poor in developing countries. Several studies have found substantial productivity gaps between urban and rural sectors within countries (see, for example, Gollin, Lagakos, & Waugh, 2014; McMillan, Rodrik, & Verdusco-Gallo, 2014), indicative of labor misallocation. Munshi and Rosenzweig (2016) note a rural-urban wage gap in India of over 25 percent (adjusted for cost of living), and yet urbanization is 15 percent lower than in comparable countries. Bryan, Chowdhury, and Mobarak (2014) document a similar situation in Bangladesh. However, whether low internal migration rates are inefficient depends on both labor market returns as well as costs. Indeed, both Munshi

and Rosenzweig (2016) and Bryan et al. (2014) argue that risk considerations inhibit migration, and there are likely to be other implicit costs as well.

In this paper, we shed light on the role subjective well-being may play in deterring otherwise lucrative migration. Data are drawn from a unique panel survey of households in rural Pakistan we conducted, spanning the 22 years from 1991 to 2013–14. In this setting, nearly all migration is internal, and 92 percent of it is to other rural areas. Further, nearly all female migration is for motives other than employment—and mainly for marriage (Aftab, 2014). Accordingly, we focus on migration within the country by men of prime working age (22–60). These sample restrictions allow us to consider a more homogeneous set of motives for migration and provide a clearer picture of the channels through which migration affects well-being. The data allow us to estimate how well internal migration predicts objective and subjective well-being for a broad range of migrants. We observe consumption and asset growth in addition to data on mental distress, physical health, and aspirations for the future, providing us with a comprehensive view of the likely mechanisms explaining apprehensions to migrate. Despite having tracked and surveyed individuals over time, the standard selection problem remains. Unobserved sources of heterogeneity that drive distinct populations to stay or leave rural communities may also affect changes in well-being over time. Use of a long panel assuages concerns about identification by allowing us to control for a wide range of characteristics prior to migration,

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as well as time invariant characteristics at the household and village level. Of course, we cannot rule out the possibility that we omit important time-varying factors at the individual, household, or village level that influence both migration and the outcomes of interest from the empirical model. This motivates our identification strategy: a covariate matching approach.

Our covariate matching approach addresses selection into migration (Abadie & Imbens, 2008; Abadie, Drukker, & Imbens, 2004; Busso, DiNardo, & McCrary, 2014). It allows us to compare migrants to similar non-migrants (based on observable characteristics) and thus construct a counterfactual for what the change in outcomes would have been for migrants, had they stayed. McKenzie, Stillman, and Gibson (2010) deem these estimators to perform well relative to the gold standard of randomization, especially when using lagged wealth as a matching variable and implementing a bias adjustment. While the matching approach cannot perfectly circumvent selection on unobserved characteristics, it provides important evidence on how well migration predicts migrants' objective and subjective well-being. Given the sheer magnitude of internal migration – encompassing roughly 12 percent of the global population (Lucas, 2015) – and the importance of migration in mitigating the inefficient allocation of resources within countries, it seems impractical to limit research on the topic to a very limited number of natural experiments and/or randomized controlled trials. At a minimum, our findings provide additional context for the findings of natural experiments (e.g., Stillman, Gibson, McKenzie, & Rohorua, 2015; Fu & VanLandingham, 2012) to better establish external validity and generalizability. Taken at face value, our analysis provides the first estimates of the impact of internal migration on subjective well-being for a developing country.

Our results suggest that the psychic costs associated with internal migration may be quite high, providing another potential explanation for low spatial mobility within countries. We find that migrants have roughly 35–40 percent higher consumption growth than they would have had they stayed, yet they are 12–14 percentage points less likely to report feeling either happy or calm. Looking at potential mechanisms, what emerges seems to be a story of relative deprivation. Migration makes individuals less likely to report that they are in excellent health, and more likely to report being sick in the last four weeks—and these effects are especially large for longer-distance (out-of-district) migration. Since these are self-reported outcomes, this may reflect both real and/or perceived changes in health; but, in either case, it is clear that there is an adverse impact on subjective well-being. We also show that individuals who migrate aspire to achieve, on average, between 18 and 23 percent more asset wealth, and yet—for out-of-district migrants—their asset wealth actually grows more slowly as a result of migration (the growth rate of asset wealth for in-district migrants is unaffected). This suggests that another channel through which migration may lead to deteriorated subjective well-being is by widening the gap between what individuals wish to achieve in the area of assets and what they actually have—what Ray (2006) calls the “aspirations gap”. Indeed, the topic of aspirations has recently received substantial attention in both the economics and political science literatures (Genicot & Ray 2017; Healy, Kosec, & Mo, 2017). We further explore whether migrating with other household members, or having migrated a long time ago (and thus potentially having had time to assimilate to a new culture and situation) may partially mitigate the adverse effects of internal migration on subjective well-being. Instead, we find that migration's effects are similar for those who travel with vs. without family members, and for those who have been away for a relatively short time vs. a longer time.

2. Background

2.1. Conceptual framework

We conceptualize subjective well-being V as a function of objective well-being u , such that the individual derives “intrinsic” value from consumption c , as well as some “milestone utility” w that is dependent on the level of consumption relative to the individual's aspiration a , similar to the model of Genicot and Ray (2017).

$$V = u(c) + w_l(c - a_l)$$

For simplicity, we consider a case where there is a single composite consumption good, but the model could clearly be extended to allow for multiple goods (e.g., health, assets) with differing aspirations and differing intrinsic and milestone utility functions. We do not constrain the function $w(\cdot)$ to be weakly positive; therefore, if consumption falls short of aspirations, this may directly reduce well-being. Aspirations are assumed to develop through a combination of personal and social circumstances such that a shift in the individual's reference point can affect his/her aspirations even absent any material change in personal circumstances or characteristics. Given our focus on migration, we further assume that both aspirations and the milestone utility function are tied to the individual's current location l .

Migration, then, can be understood to have a direct effect on subjective well-being through the level of consumption which, in turn, affects both intrinsic and milestone utility, as well as an indirect effect on well-being through a change in either aspirations (a) or perceptions (w). The milestone utility function may also reflect shifts in perceptions of well-being due to changes in mental health such as stress or anxiety. Then, a clear implication of the model is that, despite improvements in material consumption and objective well-being, migration may still cause a net reduction in subjective well-being. Moreover, we can allow some uncertainty related to migration, both in the realization of consumption and in the formation of aspirations at the destination. In that case, the individual cannot fully anticipate changes in well-being associated with a change in location and, in equilibrium, we may observe some subset of migrants having lower well-being overall.

2.2. Literature review

There is already a broad empirical literature on the subjective well-being of international migrants, though the bulk of this work does not distinguish between changes in material well-being and changes in aspirations. Immigrants are generally found to have lower life satisfaction than do natives living in the same location (Safi, 2010; Amit & Litwin, 2010; Bartram, 2011), though this tells us little about the change in migrants' own conditions. Other studies address this concern by comparing immigrants to non-migrants from the same origin country. Erlinghagen (2011) finds that German emigrants in Europe have better assessments of their own income as well as the local political situation than do non-emigrants. Bartram (2013, 2015), looking at a more diverse set of immigrants in Europe, find that immigrants are generally happier than non-migrants at the origin based on OLS regressions. Findings from two-stage treatment effects models, however, suggest that this result is largely driven by selection of happier people into migration.

Studies using longitudinal data provide more robust evidence on well-being effects of international migration by including controls for pre-migration characteristics and/or individual fixed effects. Melzer (2011) finds a positive effect on subjective well-being for migrants from East to West Germany, and Lönnqvist,

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