



## Relative deprivation and migration preferences



Walter Hyll<sup>a,\*</sup>, Lutz Schneider<sup>a,b</sup>

<sup>a</sup> Halle Institute for Economic Research, Germany

<sup>b</sup> University of Applied Sciences and Arts Coburg, Germany

### HIGHLIGHTS

- Scholars argue that individuals migrate also to improve their relative standing.
- We show that individual aversion to relative deprivation is decisive in shaping migration preferences.
- Individuals with a distinct aversion to relative deprivation are more inclined to migrate.
- In contrast to other studies, the reference group we rely on is based on self-reported measures.

### ARTICLE INFO

#### Article history:

Received 2 July 2013

Received in revised form

9 December 2013

Accepted 14 December 2013

Available online 22 December 2013

#### JEL classification:

A14

D31

D63

J61

#### Keywords:

Relative deprivation

Migration preferences

Heterogeneous individuals

### ABSTRACT

In this letter, we overcome the existing shortages with respect to the assignment of individuals to reference groups and are the first to show that individual aversion to relative deprivation plays a decisive role in shaping migration preferences.

© 2013 Elsevier B.V. All rights reserved.

### 1. Introduction

Feelings stirred up by inter group inequalities are conceptualized by the theory of relative deprivation. According to this theory, discontentment can arise not only from a low income but also from having an income that is lower than the incomes of others in one's reference group.<sup>1</sup> Over the last few decades the concept of relative deprivation has spread to migration research. The premise for applying such an approach in migration theory is that individuals undertake migration not necessarily to gain absolute income but rather to improve their relative standing with respect to a reference group. Stark and Taylor (1991) suggest that as a response to relative deprivation, relocating in order to find work occurs even

\* Correspondence to: Halle Institute for Economic Research, Kleine Maerkerstrasse 8, D-06108 Halle, Germany. Tel.: +49 345 7753 850; fax: +49 345 7753 779.

E-mail address: [walter.hyll@iwh-halle.de](mailto:walter.hyll@iwh-halle.de) (W. Hyll).

<sup>1</sup> Recent evidence for Germany is provided e.g. by D'Ambrosio and Frick (2012).

though a migrant retains his or her reference group. Other studies consider cases where individuals migrate to break ties with their 'previous' reference group (Stark and Wang, 2000). In our analysis, however, we relax the model's implicit theoretical assumption of homogeneous aversion to relative deprivation – a point elaborated on further in Section 2.

In an empirical analysis, the assignment of individuals to reference groups is a difficult issue. The reference group may consist of the entire society or subgroups, such as colleagues at work. For example, Stark and Taylor (1991) assume that households compare themselves to other households in their village. Accordingly, Quinn (2006) uses as reference point the community average income. In a macro-analysis by Stark et al. (2009), households compare their income to other incomes in the region at large (measured by the Gini-coefficient). All these articles have in common the fact that they assume who belongs to an individual's reference group.

We advance the existing literature in several respects. Firstly, we overcome the shortcomings of existing studies in the lack of reference group information on the individual level: the reference

group we rely on is based on self-reported measures. Secondly, we provide evidence that individual aversion to relative deprivation is decisive in shaping migration preferences. Thirdly, the historical background of our empirical analysis assures exogeneity of reference groups. Finally, our data set allows us to control for effects correlated with migration as well as individual aversion to relative deprivation, avoiding an omitted variable bias.

## 2. Individual aversion to relative deprivation

The existing literature relies on 'objective' measures of relative deprivation ( $RD$ ): an individual (or household)  $i$  with income  $x$  is deprived of all income above  $x$  (see e.g. Stark and Taylor, 1991), that is,  $RD_i = RD_i(RI_i)$ , where  $RI$  denotes relative income in comparison to the reference group. Therefore individuals within the same reference group and with identical income  $x$  all experience the same level of  $RD$ . Let utility  $U$  be defined on  $RD$ . Migration takes place if  $U(RD_i(RI_i^M), c) > U(RD_i(RI_i^{NM}))$ , where superscript  $M$  refers to migration, superscript  $NM$  to no migration, and  $c$  denotes migration costs. However, suppose individual relative deprivation depends on an objective part (such as  $RI$ ) and an individual aversion parameter,  $\alpha$ , that is,  $RD_i = RD_i(\alpha_i, RI_i)$ . Let there be three individuals with identical  $RI^{NM}$  and  $RI^M$  and with  $\alpha_1 < \alpha_2 < \alpha_3$ . Suppose that  $U(RD_2(\alpha_2, RI^M), c) = U(RD_2(\alpha_2, RI^{NM}))$ . Then it is conceivable that we observe  $U(RD_1(\alpha_1, RI^M), c) < U(RD_1(\alpha_1, RI^{NM}))$  and  $U(RD_3(\alpha_3, RI^M), c) > U(RD_3(\alpha_3, RI^{NM}))$ . Although all three individuals face the same levels of  $RI$ , only individual 3 may decide to engage in migration as a result of distaste for relative deprivation. In what follows, we analyze the impact on migration incentives of such different individual aversion to  $RD$  when holding reference groups and relative income constant.

## 3. Empirical analysis

### 3.1. Historical background

Our empirical analysis utilizes data from a unique period in recent German history: after the fall of the Berlin wall and the adoption of the Deutsche Mark by the German Democratic Republic (GDR) but before German reunification. This historical period allows us to focus on a group of people – East Germans – with an *exogenously* given reference group in the Western part of Germany, namely West German relatives and friends. Maintenance of these contacts with the West during the period of German division was driven mainly by the psychological motives of sustaining personal or family identity. It seems very unlikely, by contrast, that these contacts were affected by individual aversion to  $RD$  among people in the East. During the communist period the West German economy was out of reach for East Germans. Furthermore, contacts with the West were exogenous with respect to migration intentions since moving to the West was almost impossible during the communist period. Hence, social ties across the inner German frontier were not driven by migration intentions.<sup>2</sup>

After the fall of the Berlin wall and, in particular, after the adoption of Western currency, however,  $RD$  resulting from comparisons with the much wealthier Western reference group became *effective*, also because almost every East German family visited its relatives or friends in West Germany. The monetary union removed uncertainty with respect to relative income by fixing the (previously unpredictable) exchange rate between the GDR-Mark and the Western Deutsche Mark. And, equally important, at the same time the opportunity for migration to the West became a promising channel to overcome relative deprivation.

Hence, our analysis benefits from this unique historical setting for at least two reasons. Firstly, we are able to test the hypothesis of more pronounced migration preferences of people with a high aversion to  $RD$  under the assumption of *exogenous* reference groups, i.e. groups which were not deliberately chosen by  $RD$  considerations. And, secondly, as a result of the closed East–West border until the end of 1989 we can largely discount the problem of self-selection in our sample as stemming from prior out-migration of people with high aversion to  $RD$ .

### 3.2. Data and method

In explaining the effect of relative deprivation on migration incentives we make use of a representative GDR survey collected by the Central Institute for Youth Research of the GDR in September 1990, a few months after the fall of the Berlin wall and shortly after the adoption of the Deutsche Mark.<sup>3</sup> The survey covers comprehensive and unique information (i) on the intention to leave East Germany, (ii) on the existence of relatives and/or friends in the West who constitute the respective reference group, (iii) on the intensity of contact with this reference group, (iv) on the economic status of relatives and/or friends in the West in comparison to one's own, which we use as proxy for relative income, (v) whether this difference in economic status is a burden for a respondent, that is, on individual aversion to  $RD$ , and (vi) on the personal economic situation. In the same way as Burda (1993) we have to rely on migration propensities instead of actual migration. However, according to the German Socio-Economic Panel conditional on actual migration, five years earlier 82% of the individuals considered moving to the West; 26.3% of those who could *easily* imagine moving to the West German part in 1991 actually migrated within the next five years. Conversely, only 0.8% who did *not* state an intention to migrate actually migrated.

In our analysis we relate migration intention to  $RD$  related variables as well as a rich set of control variables (socio demographic characteristics, economic expectations, social ties with home region, as well as region and city dummies). Since the dependent variable, migration intention, is an ordinal measurement we estimate ordered probit models.

In a first set of regressions (Table 1), we apply four different specifications. The simplest specification (1) includes, besides the entire set of general control variables, only individual aversion to  $RD$  as determinant of migration intentions. The second specification (2) also accounts for the contact intensity with the Western reference group. Because close contacts to *richer* individuals – relatives and/or friends – in a potential host region might cause this aversion, in the third specification (3) we add relative income with respect to the West German reference group to the second specification. And in specification (4) we factor in the personal economic situation of the East German respondents. Owing to the potential endogeneity of individual aversion to  $RD$  this full specification should be most reliable. In a further set of regressions (Table 2) we allow a distinct effect of aversion to  $RD$  on migration intention depending on the contact intensity via the inclusion of interaction terms.

## 4. Results

Table 1 presents the four alternative specifications of the model without interaction terms. The effect of an aversion to  $RD$  is in accordance with our theory and highly significant throughout columns (1)–(4); the greater the aversion to  $RD$ , the greater the

<sup>2</sup> For a related argument see Burchardi and Hassan (2013).

<sup>3</sup> GESIS Data Archive, Cologne. ZA6016 Data file Version 1.0.0, <http://dx.doi.org/10.4232/1.6016>

Download English Version:

<https://daneshyari.com/en/article/5058965>

Download Persian Version:

<https://daneshyari.com/article/5058965>

[Daneshyari.com](https://daneshyari.com)