



Showing off to the new neighbors? Income, socioeconomic status and consumption patterns of internal migrants



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ABSTRACT

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This paper analyses incomes and socioeconomic status of internal migrants over time and in comparison to their new neighbors and investigates whether status consumption is a way for newly arrived city dwellers to signal their social standing. Using a novel dataset from the emerging economy of Kazakhstan we find that internal migrants earn an income and status premium for their move. In a comparison to indigenous city dwellers their earnings and household incomes are not significantly different; however, mobile households report a significantly higher subjective socio-economic status. Exploiting expenditure data, we find that recent migrant households gain status from using visible consumption to impress their new neighbors. This signaling might be used as adaptation to the new economic and social environment or to gain access to social capital. *Journal of Comparative Economics* 42 (1) (2014) 230–245. Ludwig-Maximilians-Universität München, Geschwister-Scholl-Platz 1, 80539 München, Germany; Institut für Ost- und Südosteuropaforschung, Landshuter Str. 4, 93047 Regensburg, Germany; IZA Bonn, Schaumburg-Lippe-Straße 5-9, 53113 Bonn, Germany; CESifo Munich, Poschingerstr. 5, 81679 München, Germany; Institute for Employment Research, Weddigenstraße 20-22, 90478 Nürnberg, Germany; National Bureau of Economic Research, 1050 Massachusetts Ave., Cambridge, MA 02138, USA.

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1. Introduction

Globally, millions of individuals have incurred substantial costs to migrate to places with more promising economic prospects; reasons for moving include the aim to obtain a higher income (Sjaastad, 1962; Harris and Todaro, 1970) or to escape economic risks at home (Stark, 1991).

This paper examines the extent to which mobile individuals and households gain from migration within an emerging economy in terms of absolute and relative welfare. We focus on the impact of internal (as opposed to international) migration in Kazakhstan using data from the Kazakhstan Migration and Remittances Survey (KMRS), a unique survey of individuals

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who moved from rural or urban areas to the major urban centers of the country. We believe this setting to be interesting for two reasons: First, the break-down of the Soviet Union was accompanied by a lifting of mobility barriers inducing a substantial emigration of non-Kazakh city dwellers. In exchange, ethnic Kazakhs suffering from labor market restructuring (especially due to privatization and unprofitability in the agricultural sector; see [Wandel and Kozbagarova, 2009](#): 40) moved into cities completing a substantial reshaping of the social fabric of the country's cities. The most extreme example of this social remodeling was the relocation of Kazakhstan's capital from Almaty to Astana in 1997 with the latter having almost tripled its population size since then. This move was expected to contribute to the urbanization of Kazakhstan, enhance the economy in the northern regions and spread wealth more evenly across the country. Second, Kazakhstan exemplifies some massive urbanization trends which can be found in many urban areas of rapidly emerging economies.

Both phenomena, the compositional change in Kazakh cities as well as the rapid urbanization process in general, can potentially be accompanied by social disruptions. According to recent studies, newcomers to cities define their place in the urban society by signaling their status ([Janabel, 1996](#); [Sivanathan and Pettit, 2010](#)) or by gaining costly access to social networks (cp. [Anggraeni, 2009](#)) while incumbents may not fully accept migrants ([Kendirbaeva, 1997](#); [Schröder, 2010](#)). Whereas most of the previous research on this topic stems from other fields (social psychology, consumer research), our economically motivated paper sheds light on these disruptions by analyzing the consumption implications of status signaling by newly arrived city dwellers.

We begin by comparing migrants' earnings and their perceived socio-economic status before and after the move and by comparing migrants' average earnings, household income and socioeconomic status to that of non-migrants in the destination city. The main contribution of the paper is our analysis of status consumption patterns which clearly indicates that newly arrived migrants are concerned about their standing in the new environment.

In economics, earnings are usually treated as the primary measure of absolute economic success. Abstracting from moving costs, an increase of earnings after migration reflects a wise investment of a migrant's human capital. While the exact results from studies on migrant earnings vary, the literature has generally found a positive relationship between migration and earnings ([Cooke and Bailey, 1996](#); [Dávila and Mora, 2008](#); [Blackburn, 2009](#); [Gagnon et al., 2011](#)).

Another measure of a migrant's welfare is his or her socioeconomic status; this measure is more general and does not exclusively rely on financial well-being. Developed within the context of social stratification theory, socioeconomic status refers to the position of individuals or households in a hierarchical ordering of society and hence is a relative measure of welfare ([Weber, 1946](#); [Chan and Goldthorpe, 2007](#)). The status position is defined by a range of relevant economic and social characteristics such as income, education, occupational prestige and housing conditions, and it may or may not correspond to the subjective perception of an individual or household.

In the migration context, [Stark and Taylor \(1991\)](#) emphasize the importance of relative income in the decision to move in developing countries. They show theoretically that *ex-ante* relatively deprived households tend to send migrants abroad in order to improve their comparative income position at home. In contrast, the literature has been relatively silent about the actual welfare and status adjustments *ex-post* migration.¹ This is surprising given that the study of socioeconomic status is more than an abstract exercise: the subjective perception of socioeconomic status has been shown to shape subjective well-being ([Di Tella et al., 2010](#); [Akay et al., 2012](#)) and the state of health ([Adler et al., 2000](#); [Dalstra et al., 2005](#); [Demakakos et al., 2008](#)). In one of the few existing studies on welfare and status adjustments *ex-post* migration, [Resosudarmo et al. \(2010\)](#) show that rural-to-urban migration in most cases improves the socioeconomic status of internal migrants in Indonesia. While the majority of migrants claim that their economic conditions are worse than those of their new non-migrant neighbors, in fact, their absolute expenditure levels exceeded that of non-migrants. The authors attribute this observation to changing aspirations.

According to the leisure class theory of [Veblen \(1899\)](#), people with higher socioeconomic status tend to distinguish themselves from less affluent individuals by signaling their status through intensive status consumption. A higher socioeconomic position in the own reference group creates higher incentives to signal status. A growing literature in development economics clearly indicates that status consumption is not confined to wealthy individuals but also prevalent among some of the poorest households ([Banerjee and Duflo, 2007](#); [Brown et al., 2011](#)). Status signaling becomes even more important as the social cohesion of an individual's environment decreases and mobility rises. That is, more anonymous and frequent interaction with others—as is the case for newly arrived migrants in dynamic cities of emerging economies—makes status consumption a powerful tool to signal one's relative position ([Kaus, 2012](#)). Accordingly, internal migrants might spend more on status consumption in order to define their social position. Such consumption has attracted substantial policy attention in poorer countries, as it may divert resources from other spending areas like health, education and housing or even create poverty traps ([Kaus, 2012](#); [Moav and Neeman, 2010](#)). While it appears difficult to prevent conspicuous consumption in practice through taxes ([Christen and Morgan, 2005](#)) or redistribution ([Hopkins and Kornienko, 2004](#)), there is also a theoretical reason against status consumption regulation: Recent research has suggested that status consumption may be used as a means to acquire social capital, i.e. as a potential mode of insurance ([Anggraeni, 2009](#); [Danzer, 2013](#)).

Our paper presents evidence on the earnings of migrants and the socio-economic status of their households *before* and *after* migration ('inter-temporal comparison'). We show that recently arrived internal migrants report higher earnings and a substantially higher socioeconomic status as compared to before the move. Our main contribution, however, rests on the comparison of earnings, household incomes and socioeconomic status of internal migrants to urban centers with non-migrants at the

¹ A small literature on well-being after migration exists, e.g. [De Jong et al. \(2002\)](#), [Knight and Gunatilaka \(2010\)](#), [Nowok et al. \(2011\)](#) and [Akay et al. \(2012\)](#).

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