

Does Local Development Influence Outmigration Decisions? Evidence from Indonesia

SMRITI TIWARI*

Skidmore College, Saratoga Springs, USA

Summary. — This paper takes advantage of the exogenous phasing of the district-level elections in Indonesia to establish an unbiased causal impact of local economic development conditions on outmigration decisions. Does the change in service delivery due to decentralization affect the internal migration, a phenomenon not new to Indonesia and driven by the historic uneven development across the archipelago? Furthermore, because the services are no longer centered in Java and Bali, will the migration to these historically popular provinces change? If yes, to what extent? This discussion is of central importance not only in the Indonesian context – where rising population pressures in Java and Bali provinces are the government’s ultimate challenge – but also in the development literature, where empirical research on such questions is made impossible by the lack of appropriate data and context. Two different datasets, the Indonesian Family Life Survey and the Indonesian Census, are used to conduct the analyses. They provide consistent results. A household in a district that went through election is 19% less likely to be a migrant-sending household. This is true particularly for districts that are in Java and Bali. A household in a district in Java and Bali that went through election is 27% less likely to be a migrant-sending household. © 2017 Elsevier Ltd. All rights reserved.

Key words — decentralization, local development, outmigration, Indonesia

1. INTRODUCTION

Many developing countries employ rural development strategies that focus on employment generation, infrastructure development, access to credit for small farmers, delivery of health-care services, educational improvement, land reform, etc. Even though the primary motivation for such interventions is improving the quality of life in rural areas, an unintended consequence of such programs may be reducing rural to urban migration. [Todaro \(1997\)](#) and [Lipton \(1982\)](#) claim that rural development programs are an essential solution to deter excessive migration from rural to urban areas. Policy makers often suggest improving living conditions and diversifying economic opportunities in rural areas as a remedy to decrease migration to cities, and thus reducing population pressures in urban centers ([Rhoda, 1983](#)).

However, some analyses show that such programs have not been successful in doing so because rural development activities also increase access to cities, strengthen rural–urban integration, and raise education and skill levels. This could lead to an increase in rural–urban migration instead ([Adepoju, 1983](#); [Rhoda, 1983](#); [Campbell, 1988](#); [Becker, Hamer, & Morrison, 1994](#); [Lucas, 1997](#); [ILO, 1998](#)). [Beauchemin and Schoumaker \(2005\)](#) find mixed results in the context of Burkina Faso. Depending on the level of analysis, public facilities and infrastructure have either no effect or are more likely to increase outmigration. However, they find that having markets in villages and large companies in secondary towns reduce the risk of moving to big urban cities by about 50%. The discussion on the potential impact of local development on migration behaviors does not provide clear evidence in the literature. Most of all, this question is difficult to explore empirically due to the lack of relevant context and appropriate data to study it.

The primary challenge while studying the migration-development interactions is that they are not independent of each other. This endogenous relationship makes establishing causal impact in both directions challenging. In order to overcome the endogeneity issue, this paper takes advantage of the

exogenous phasing of direct elections in districts to extract the causal impact. In doing so, this work contributes to current migration literature by using a natural experiment to establish causal validity in the determination of migration decisions ([Palloni, Massey, & Ceballos, 2001](#); [Munshi, 2003](#)).

After more than three decades of highly centralized government, Indonesia went through a phased decentralization process¹ (both fiscal and political) during which wide-ranging responsibilities over basic service delivery for education, health, infrastructure, and general public administration were devolved to the district governments. The decentralization laws, which were passed in 1999 and took effect in 2001, devolved approximately 25% of the national budget to the districts in the form of block grants and dramatically increased their authority over almost all sectors of government ([Skoufias, Ambar, Dasgupta, & Kaiser, 2011](#)). Additionally, the district heads were selected through direct elections starting in 2005. The unique and the most important feature of this process is that timing of the direct election in a district depended on the end of the tenure of the previous head—which was exogenous. Does this change in service delivery due to decentralization affect the internal migration, a phenomenon not new to Indonesia and driven by the historic uneven development across the archipelago? Furthermore, because the increase in service delivery is observed particularly in districts outside of Java and Bali, will the migration from these districts change? If yes, in what direction and to what extent?

The literature that explores the intersection between development and migration provides ample of empirical evidence on how migration may affect different development indicators,

* I would like to thank Dr. Emmanuel Skoufias (Lead Economist, Poverty Global Practice, World Bank Group) for his time and suggestions in August 2013. I am also extremely grateful to him for sharing the *pilkada* dataset, without which this study would not have been possible. I also thank Dr. Paul Winters (Professor, Department of Economics, American University) for his guidance. Final revision accepted: December 18, 2016.

such as migrants' own income and health, education, and health outcomes of children of a migrant sending household, and the welfare of the migrant sending community as a whole (Hildebrandt & McKenzie, 2005; Adams, 2006; Acosta, Fajnzylber, & Lopez, 2007; Yang, 2008; Gibson, McKenzie, & Stillman, 2011; Antman, 2011²). However, empirical research on the role of economic development in the migrant sending community in determining outmigration has been slow to emerge.

This has been particularly true of decentralization, which is less an investment in a particular rural development strategy but more a change in the management of rural development. Decentralization has become more widespread in developing countries³ as economists and policy makers have increasingly advocated it as a way to reduce the role of the state in general by fragmenting central authority and introducing more inter-governmental competition. In countries with many ethnicities, decentralization is also regarded as a way of avoiding social and political tensions and ensuring local cultural and political autonomy (Oates, 1993; Bardhan, 2002). Local governments, with an informational advantage over the national government, are in a better position to deliver public services. Empirical literature examining the link between decentralization and local economic development provides evidence of a strong positive relationship (Santos, 1998; Lin & Liu, 2000; Faguet, 2004; Stansel, 2005; Iimi, 2005; Hammond & Tosun, 2011). However, decentralization usually takes place in one shot for the entire country, leaving no possibility for evaluation except perhaps a before and after analysis, which is most likely to provide biased estimates. The fact that decentralization in Indonesia was a phased process provides a unique opportunity to undertake a successful evaluation.

The empirical analyses are done using two rich and unique datasets—Indonesian Family Life Survey (IFLS) and the Indonesian Census. These datasets are compiled together with the *Pilkada* dataset, assembled by Skoufias, Ambar, Dasgupta, and Kaiser (2014). The *Pilkada* dataset contains electoral information from 1999 to 2009 and information about district-level characteristics. Most importantly, it provides dates of direct elections for all the districts, which helps to identify the treated districts. The main outcome variable—migration status, comes from IFLS and the census. IFLS is well suited for this analysis, as it collects detailed current and retrospective information about the migration histories of individuals. However, the sample is restricted to 13 of the 34 provinces in Indonesia and is representative of 83% of the Indonesian population. The census samples generally cover the entire country but are limited in terms of migration modules, and only provide information about whether an individual is in a different district from five years prior. Since both datasets have pros and cons in terms of the information they offer, the results deduced from analyzing the two separately are complementary.

The results indicate that households in districts that went through direct elections were significantly less likely to have outmigration than those that did not. This decrease was mostly driven by the fall in the outmigration from districts in Java and Bali. Migration from districts of other provinces were unaffected by the direct elections.

Mechanisms through which local development, spurred by the democratization and decentralization, influences households' migration decisions (especially in the context of Indonesia) are discussed in the following section. Background on the Indonesian decentralization process is discussed in Section 3. The relevance of the datasets is discussed in Section 4. In Section 5, the econometric strategies used to analyze the data are described followed by the results in Section 6 and conclusion in section 7.

2. CONCEPTUAL FRAMEWORK IN THE INDONESIAN CONTEXT

(a) *Internal migration in Indonesia*

According to the literature, internal migration in both colonial and post-colonial Indonesia points to three factors that may have played a role in influencing internal migration. They are: (i) income differential generated due to high colonial pressures in Java, (ii) transmigration policy undertaken by the Dutch administration, later inherited by the post-independence Indonesian government, and (iii) the persistence of uneven development across the region due to path dependency of the institutions established by the Dutch rulers.

(i) *Income differential generated due to high colonial pressures in Java*⁴

The first reason is the nature of the land in the pre-colonial era that resulted in the historically uneven development of the Indonesian archipelago. The “Inner Indonesia” (provinces 2, 4, 8, 10–12, 34 in Figure 1), with volcanic topography and rich agricultural lands, became the center for Dutch rulers as they maintained larger colonial pressures on Java than other parts of Indonesia. The concentration of colonial activity in Java led to an increased demand for labor, which in turn increased the income differential between Java and other regions of Indonesia (Hugo, 1980). As a result, Java's population exploded in the nineteenth century. During 1802–1900, Java's population grew, on average, 2.1% annually (Van Lottum & Daan, 2012).

(ii) *Transmigration policy*

The second reason is the transmigration policy, established by the Dutch in 1905 (then known as *kolonisatie* or colonization) as a means of relieving the population pressure in the “Inner Indonesia” by giving people incentives to move to “Outer Islands”.⁵ Despite being abandoned due to the high costs associated with the transmigration policy, and its insignificant⁶ role in reducing the population pressures in inner islands, the policy was reinstated every time for the same purpose. As a result, Indonesia not only inherited the policy post-independence but also made it a centerpiece of their development program. Suharto, Indonesia's president for almost three decades continued and accelerated the transmigration program. By 1989, a cumulative total of approximately one million families, or five million people, had been shipped to the outer islands as part of the official program (Fearnside, 1997).

(iii) *Path dependency of the institutions set up by the Dutch rulers*

The concentration of colonial activity in Java led to a number of growing urban centers, such as present-day Jakarta, Surabaya, and Semarang (Hugo, 1980). These cities attracted people from the crowded interior because of the employment opportunities they offered (Pelzer, 1945). After the independence from the Dutch rulers, the Indonesian government remained heavily central to Java, thus maintaining the path of uneven development across Indonesia. Interprovincial migration was on the rise throughout twentieth century with 7% in 1970, 8.2% in 1990, and 10.1% by 2000 (Hill, Resosudarmo, & Vidyattama, 2008; Tirtosudarmo, 2009). The inner islands, that constitute 7% of the total land in Indonesia, have consistently been home to around 60% of the Indonesian population for the past few decades.

The literature provides some evidence on the relative strengths of these three factors. Due to the abandonment of

Download English Version:

<https://daneshyari.com/en/article/5105296>

Download Persian Version:

<https://daneshyari.com/article/5105296>

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