



# International migration and human capital in Mexico: Networks or parental absence?



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## ABSTRACT

This article discusses the effect of international migration on the accumulation of human capital among Mexican youths aged 15–18 who are left behind. Evidence indicates the existence of a negative impact of sibling and parental migration on school attendance among young males but not on the measure of cognitive ability. Migration of extended family members has no significant effect. There is no evidence of a robust effect among females. The negative effect of sibling migration suggests that lower migration costs and differences in return to Mexican formal education between the labor markets of the United States and Mexico could largely explain the negative effect of international migration on human capital.

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## 1. Introduction

The increase in international migration in the past 50 years has led to growing concern about the effects of these movements on the economies of origin. One of the most important flows of migration in recent times has taken place between Mexico and the United States. Approximately 10 percent of the population born in Mexico lives in the U.S., representing approximately 30 percent of immigrants in that country. The majority of these migrants eventually send remittances to families they have left behind. Because a large proportion of migrant families come from medium- and low-income sectors, international migration and the associated flow of remittances can be an important factor in poverty reduction.

Recent literature has suggested that the effects on members of migrant families who remain in Mexico are complex and not always positive. Empirical analyses have found a negative impact of international migration on variables measuring accumulation of human capital, especially among youths aged 15–18 (Halpern-Manners, 2011; Lopez-Cordova, 2006; Meza and Pederzini, 2009; McKenzie and Rapoport, 2011). Various explanations have been suggested for this negative impact, but little has been done to establish their validity. The goal of this investigation is to assess the relative importance of the proposed explanations.

I take advantage of the fact that international migrants have young siblings who remain in Mexico. Migration of these family members is part of the normal process of separation of young adults and lowers the cost of migration for their younger siblings. Using data from a national representative survey, The Mexican Family Life Survey (MxFLS), conducted between 2002 and 2005 with approximately 35,000 individual interviews in 150 localities throughout Mexico, and an identification strategy with 1950s migration rates as instrumental variables, my estimates indicate that international migration of siblings produces a negative effect on school attendance among males and a null effect among females who are left behind. The estimated effect of parental absence is larger, but only one third of the cases involve parental absence. The negative effect is less than twice that of sibling migration, so stress caused by parental absence accounts for less of the total negative effect. A measure of cognitive abilities shows no significant effect, suggesting that the decline in school attendance is not due to a cumulative effect on academic performance. The results on sibling migration suggest that the low return to formal Mexican education from migrants to the U.S., combined with the lower migration costs provided by access to migration networks, explains a large part of the observed negative effect of migration on male youth left behind.

In the next section, I offer a review of the literature and explain the contributions of this article, with special attention to the literature on Mexico. In Section 3, a simple theoretical model is developed and the empirical implications established. In Section 4, I describe the database used and the empirical strategy. The results are presented in Section 5. Section 6 provides some conclusions.

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## 2. Previous literature: results and limitations

The general objective of the literature is to determine whether international migration and the associated flow of remittances have a positive impact on the accumulation of human capital in the country of origin, either directly on the families that have a link through migration and remittances, or through incentives generated by the possibility of migration. Two interrelated phenomena occur between migrants and those left behind: (i) the receipt of remittances, and (ii) the absence of the migrant. The receipt of remittances represents an increase in income, so the effect expected in the accumulation of human capital among those left behind is positive by an income effect. The positive effect of remittances appears in Yang (2008) and Alcaraz et al. (2012). On the other hand, the absence of adult migrants could be detrimental to human capital accumulation. With the absence of adults, children and adolescents may lack adequate supervision and support. The absence of an adult may also require that children perform some of the tasks of the adult in the domestic economy. In the short term, migrants may need time to adapt to the labor market of the destination economy and the family must survive for a time without the migrant's income in the local economy, so an optimal decision may be to send children or young people to work. In addition, if human capital returns are lower in the destination economy and the likelihood of migrating increases for children and adolescents once a member of the family has migrated, the perceived return of an investment in human capital decreases in families with migrants. Antman (2011b) concentrates in parental absence and finds a negative effect.

Most of the empirical literature, however, is focused on finding the net impact of migration and remittances on the human capital formation of children in families involved in migration (Acosta, 2006; Acosta et al., 2008; Antman, 2012; Calero et al., 2009; Hanson and Woodruff, 2003; Kandel and Kao, 2001; Kandel and Massey, 2002; Macours and Vakis, 2010; McKenzie and Rapoport, 2011; Powers, 2011). Others have tried to separate the possibly positive contribution of remittances from the presumably negative effect of the absence of any of the adults in the home (Amuedo-Dorantes and Pozo, 2010; Bredl, 2011; Cuecuecha, 2009). In the case of Mexico, results suggest that a net positive effect of migration and remittances on school attendance occurs among individuals aged 10–15, but only for girls whose mothers have lower educational levels (Hanson and Woodruff, 2003). However, a net negative effect on school attendance occurs among individuals aged 15–18, (Halpern-Manners, 2011; Lopez-Cordova, 2006; McKenzie and Rapoport, 2011), in a measure of cognitive development of children aged 5–12 (Powers, 2011) and in interest in attending university (Kandel and Kao, 2001). Some of the literature has suggested that the negative effect is related to high levels of migration (Meza and Pederzini, 2009) and to a greater desire among youth left behind to become migrants (Kandel and Massey, 2002). This suggests that part of the migration effect could be due to members of migrant families being more exposed to the possibility of becoming migrants in the future, and they consider this fact in their decisions regarding human capital accumulation.

There is mixed evidence about how parental absence will affect youth who are left behind, especially boys. Antman (2011a, 2012) provides evidence suggesting that the absence of the migrant father from Mexican households tends to favor the share of educational spending on females. However, Nobles (2011) shows that parents abroad have more interaction with children than parents who have left home following a divorce.

This article builds on the previous literature on Mexico, attempting to overcome some of its weaknesses and limitations. Previous literature focusing on Mexicans aged 15–18 has not addressed the relative importance of the reasons for the negative

effects of the net effect of migration and remittances (Halpern-Manners, 2011; Lopez-Cordova, 2006; McKenzie and Rapoport, 2011). The absence of the father and the consequent stress on the family could be one of the causes. However, as Powers (2011) has noted, most migrants are actually siblings of children between the ages of 5 and 12. In this paper, I exploit the fact that the same holds true among 15- to 18-year-olds. The migration of siblings can be part of the normal process of family separation of young adults and not a shock to the family. Within this group, the effect of migration could merely be associated with the fact that children and adolescents in migrant families expect to become migrants in the future. Families making optimal decisions have to take into account the fact that returns to human capital in Mexico are larger than in the U.S. In Mexico, returns to education range from 7.6 to 9.7 percent, while in the U.S., Mexican migrants earn only 2.5–3.2 percent for each year of education in Mexico (Chiquiar and Hanson, 2005).

Authors such as Kandel and Kao (2001) and Kandel and Massey (2002) have used parental migration and migration of other household members as separate variables, but their techniques of identification do not address endogeneity between migration and human capital decisions. It is possible that migrants come from families who care less about their children's education. Then, the finding of a negative effect is spurious. In addition, these authors' datasets examine only individuals enrolled in school in a small region of the country with a high prevalence of migration, factors that could mask the true effect. This investigation considers the insights of results from Kandel and Kao (2001) and Kandel and Massey (2002), but it also addresses endogeneity issues at the national level in the population aged 15–18.

The first contribution of this article will be to develop a simple model of the effects of migration on human capital decisions that incorporates the explanations proposed for the empirical findings of earlier studies. I incorporate the empirical fact that Mexican migrants in the U.S. face a lower rate of return to education than what is experienced in Mexico. In addition, the time spent by adults away from home is part of the technology used to produce human capital; this allows evaluation of the effect of parental absence on the human capital formation of children. I include the fact that migration occurs through social networks, in line with empirical evidence from Kandel and Kao (2001), Mora and Taylor (2006) and my own findings in Section 5. These networks provide information about job opportunities in the destination economy and reduce the costs of adaptation. Individuals close to migrant households are thus more likely to choose to migrate than those who have no contact with such households. These differences in access to migration networks can have effects on optimal decisions of investment in human capital, especially considering the large differences in the rate of return to education in Mexico and in the U.S.

The model is closely related to those of Auriol and Demonsant (2012) and McKenzie and Rapoport (2011). Like the former authors, I construct the model using assuming that individuals choose rationally in each decision node applied to migration decisions. Following the latter, I take into account the different explanations offered for the negative effect of migration on human capital accumulation in making assumptions. The main difference between my approach and that of McKenzie and Rapoport (2011) is that I distinguish between migration of parents and migration of other family members. While parental migration may be associated with all of the explanations offered for the existence of a negative effect, migration of other members only changes the probability of migrating due to lower costs.

Using migration rates in the 1950s as an instrumental variable for having a family member in the United States, I find that membership in migration networks has a negative impact beyond

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