



Balancing Skilled with Unskilled Migration in an Urbanizing Agricultural Economy

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Summary. — In the early stages of economic development, the migration of unskilled workers contributes to labor-intensive manufacturing production. In middle-income countries, however, the migration of skilled workers becomes the more important factor in economic progress. Evaluating the skill content of migration patterns therefore is essential to understanding migration's economic implications. For this purpose, we investigate the determinants of skilled and unskilled migration decisions in Vietnam. Rural higher education is shown to promote knowledge-intensive production by encouraging skilled individuals to migrate to cities. In complementary fashion, commercial farm development helps alleviate urban overcrowding by encouraging unskilled individuals to remain at home. © 2014 Elsevier Ltd. All rights reserved.

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1. INTRODUCTION

Rural–urban migration, a reallocation of surplus labor from agriculture to the manufacturing and service sectors, has contributed significantly to economic growth and poverty alleviation in developing countries. In the early stage of economic development, labor-intensive manufacturing attracts unskilled workers from rural areas, raising industrial output (Ranis & Fei, 1961). Once they reach middle-income levels, however, labor-intensive output expansion is inadequate to maintain economic growth. Failing to make the transition from labor-intensive to knowledge- and capital-intensive production may mire a country in the middle-income trap (Kohli, Sharma, & Sood, 2011). A number of authors have emphasized the innovation-enhancing role of urban skilled workers in such knowledge-intensive production (Black & Henderson, 1999; Lucas, 1988; Moretti, 2004).

However, large urban inflows create great demands on infrastructure and public amenities, placing financial burdens on national and local governments (ESCAP, 2003). Various policy attempts have been made to mitigate these problems. Residency restrictions for controlling the urban inflow of migrants, and anti-agglomeration strategies for reducing urban–rural wage gaps, are well-known examples (World Bank, 2009). Such migration-control policies, however, may reduce potential economic growth if they discourage skilled migration (World Bank, 2009). Yet little attention has been paid to the policy, market, and local-community influences on skill-specific migration patterns. Although studies find that more educated workers are the more likely to migrate, they inadequately address whether these migrants find a skilled job at their destination (Borjas, Bronars, & Trejo, 1992; Hunt & Mueller, 2004; Junge, Diez, & Schätzl, 2013; Nguyen, Raabe, & Grote, 2013). The degree to which educated migrants end up partaking in knowledge-creating activities in urban areas does not appear to be well-known.

The distinction between skilled and unskilled migration thus is important for identifying regional development and

migration policies that enhance national economic growth. For instance, as an assembly plant's arrival in a rural area provides new employment opportunities, wages begin to replace or supplement urban remittances but also discourage skilled or unskilled out-migration. Thus, the effect of anti-agglomeration policies on economic growth substantially varies depending on which type of migration the policies reduce. To fill this gap, we examine data allowing identification of the skill levels of the jobs in which rural migrants engage at their destination, and use these data to identify the manner in which policies and rural conditions influence the skilled *vs.* unskilled migration decision.

Basically, we follow McKenzie and Rapoport (2007) and Zhu and Luo (2010) in modeling migration as a joint family decision influenced by household and rural-community conditions. As several studies (e.g., Stark & Bloom, 1985) have noted, rural households in developing countries tend to consider their members' migration decisions in terms of the maximization of joint household income. In the absence of a household-level specification, much of the substance of strategic economic choice in a developing nation would therefore be lost. In contrast to previous studies, however, we focus on the differences between skilled and unskilled out-migration decisions, setting the basis for a more precise migration policy.

We employ Vietnamese panel data from a household survey to examine the impacts of household and community conditions on skilled and unskilled migration decisions. The World Bank (2008) argues that, as Vietnam becomes integrated into a global production network, emphasis increasingly is placed on productivity, research capacity, and new technology from multinational firms.¹ This lifts the demand for skilled workers at migration destinations (e.g., Phan & Coxhead, 2013): skilled jobs—managers, professionals, and

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technicians—accounted for 10% of total employment in Vietnam in 2012, a 4.2 percentage point increase from 2000 (ILOSTAT database). On the supply side, the unevenness of educational opportunities across Vietnamese regions likely impairs the country's aggregate human resource base, despite that enrollment in higher institutions is growing (Vu, Le, & Muhajarine, 2013; World Bank, 2008). On both sides of the labor market, therefore, a shortage of skilled workers has appeared in Vietnam's urban areas, creating a bottleneck for economic development.

The Vietnamese government has implemented a series of policies to support the development of an education system in remote and poor areas. For example, students from low-income households can receive primary education for free. They also have access to financial support when studying at higher levels.² These policies are expected to contribute to both basic and higher education among low-income households but their effectiveness on the Vietnamese economy depends on education's impact on the opportunities for skilled migration.

Vietnam's recent development into a middle-income nation has also involved a rapid rise in urban in-migration. Government has sought to manage the flow through a household registration system in which only permanent residents are given access to public services; but the policy has not reduced the inflow into major cities (Waibel, 2007). Understanding why, and encouraging the skilled migration needed for knowledge-intensive production growth in urban areas, require an improved determination of the sources of skilled and unskilled migration decisions.

One of our contributions is, therefore, to demonstrate the manner in which a rural household's education—influenced by the educational opportunities available to it—affects its members' successes in obtaining skilled and unskilled jobs. We find that a household's mean education indeed affects mean employment success because the household rationally allocates its members to job searches on the basis of the rational probabilities of obtaining the particular job types. Given the marked unevenness of Vietnamese rural education, our finding points to rural higher education's important role in the regulation of urban in-migration.

Agriculture is another key determinant of the rural out-migration decision in developing countries. The normal pattern is that labor-saving farm technologies displace farmers and thus expand the reservoir of potential rural-to-urban migrants (Hayami & Ruttan, 1985). However, as a consequence of its recent rapid agricultural development, Vietnam has become the world's second-largest rice exporter, expanding the derived labor demand for rice production and hence providing a draw for rural labor. The consequent ambiguity of rice commercialization's net implication for rural

out-migration makes Vietnam an especially interesting locus for examining location-specific impacts on migration.

The remainder of the paper is organized as follows. Section 2 provides an overview of migration trends, patterns, and policies in Vietnam. Section 3 outlines our estimation methods and Section 4 our data sources and analytic variables. Section 5 presents empirical results, and Section 6 concludes with a summary of results and policy implications.

2. MIGRATION TRENDS, PATTERNS, AND POLICIES IN VIETNAM

Over the last two decades, Vietnam has witnessed an enormous flow of rural–urban migrants. During 2004–09, 2.1 million people aged five or over—accounting for 9% of the urban population—migrated from rural to urban areas. The movement was prompted by the Economic Reform Package of 1986, aimed at a transition from a centrally controlled to market-oriented economy. Since the reform, GDP has grown by an annual seven or 8% and poverty greatly reduced from 70% to 12% during 1986–2011 (Phan & Coxhead, 2010). The reform's benefits, however, have been regionally uneven, in turn inducing extraordinary migration rates to Vietnam's two largest cities, Ho Chi Minh and Hanoi (Table 1). Migrant remittances have effectively reduced income disparities among rural households (Nguyen, Van den Berg, & Lensink, 2011) but access to urban amenities has deteriorated. Population density in Ho Chi Minh (2,095 persons/km² in 2011) and Hanoi (3,328 persons/km²) is now ten times greater than the national average (265 persons/km²)³; and about 5% of urban households do not have their own toilet and clean water sources (GSO, 2011).

To control urban in-flow, Government has devised both city-based and rural-based migration policies. The city-based approach is organized around the household registration system. Urban residents are classified into four residency categories, each with its rights and obligations. Only those in the higher categories enjoy such full residency privileges as access to land-use purchases, public schools for their children, and free medical services. In contrast, those in the lower categories are not eligible for such government support programs as low-interest loans (Waibel, 2007). In spite of this system, the flow of migrants to major cities has steadily risen, leading to still tighter minimum requirements for applying for the upper-status categories.⁴

Vietnam's rural-based migration policies include both job-creation and agricultural development. The former encourages establishment of small- and medium-sized rural enterprises by way of preferential taxation and free or reduced-rate land-use transference.⁵ The latter seeks to boost income in farms and

Table 1. *Inter-provincial migration matrix during 2004–09*

Residence in 2004	Residence in 2009						
	NMM	RRD	NCCC	CH	SE	MRD	Total
Northern Midlands and Mountains (NMM)	59.6	154.8	7.3	20.2	70.4	1.5	313.9
Red River Delta (RRD)	69.9	338.1	28.5	29.1	195.3	8.6	669.4
North Central and Central Coast (NCCC)	12.7	98.0	166.8	79.0	570.5	14.7	941.6
Central Highlands (CH)	8.5	11.4	29.1	36.9	84.4	2.1	172.3
Southeast (SE)	4.2	19.2	36.1	23.2	242.2	42.7	367.6
Mekong River Delta (MRD)	4.8	5.8	9.3	9.5	714.6	187.9	931.9
Total	159.6	627.3	277.0	197.9	1,877.5	257.4	3,396.8

Note: Unit is thousand persons. Hanoi and Ho Chi Minh are located in Red River Delta and Southeast regions, respectively.

Source: GSO, Vietnam Population and Housing Census, 2009.

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