

Rural-Urban Migration

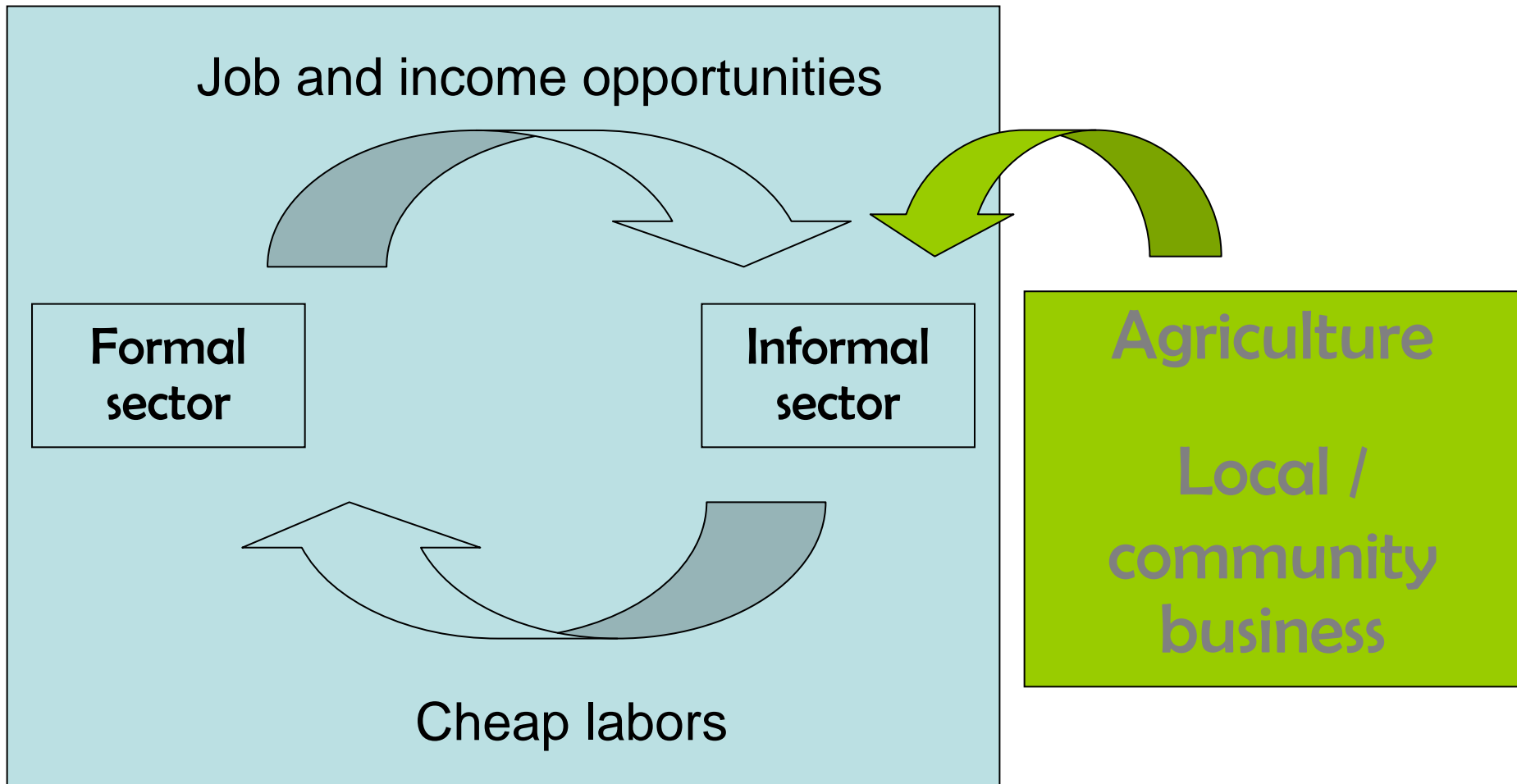
Todaro & Smith, ECONOMIC DEVELOPMENT

Dualistic Development

- A modern formal sector exists alongside a large urban informal sector
- Between 30 percent and 70 percent of the urban labor force works in the informal sector
- Characteristics of urban informal sector jobs include:
 - Low skills
 - Low productivity
 - Self-employment
 - Lack of complementary inputs
 - Jobs in petty sales and services
 - Recent migrants

Informal sector

- Given constraints on modern sector growth, the informal sector should be promoted as a major source of employment and income for the urban labor force.
- This sector already generates a third of urban income and demand for unskilled labor, and adopts appropriate technology.
- An improvement in infrastructure and credit available to this sector could generate large benefits in terms of increases in **income and jobs for the poor**.
- **But promoting this sector runs the risk of encouraging more migration, unless more resources are devoted to the rural sector at the same time.**



**Growth of formal sector → support informal sector
→ support migration**

Migration and Development

- Rural-to-urban migration was viewed positively until recently
- The current view is that this migration is greater than the urban areas' abilities to
 - Create jobs
 - Provide social services

- **Continued urbanization and rural-urban migration are probably inevitable.**
 - **Urban bias creates migration.**
 - **Investment increase rural productivity so less labor is needed**
 - **Better education makes people gain skill they need so they can find a job in the city**
- **Still be excessive from the social point of view**

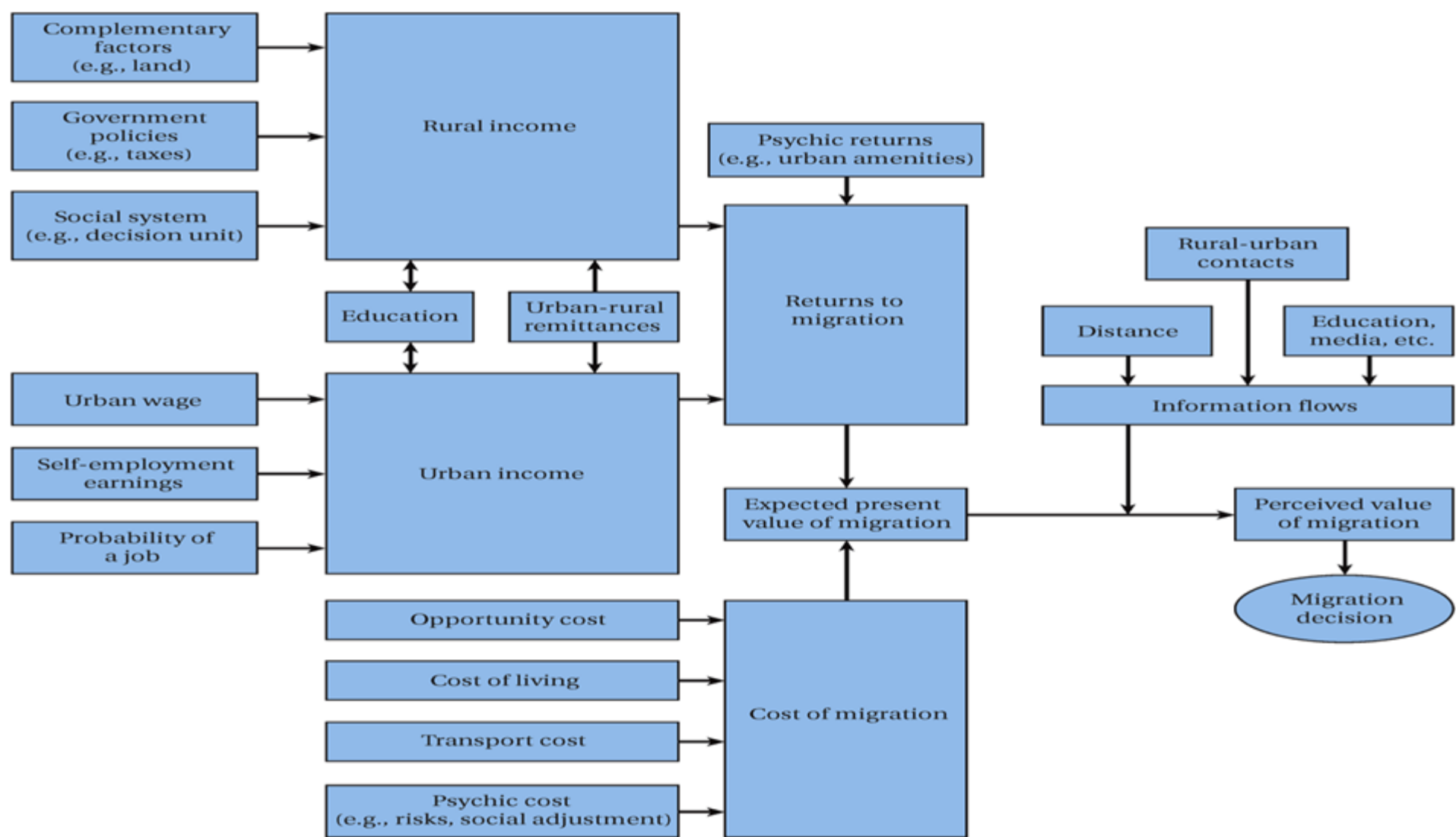
- **Does migration,**
 - by supplying cheap unskilled labor, reduce incentive for upgrading of modern sector ?
 - Increases wage and productivity in rural sector ?
 - Depleting rural valuable human resources ?

Is migration a symptom of and a contributor to underdevelopment ??

Economics of Rural-Urban Migration

- A verbal description of the Todaro model
 - Migration is a rational decision
 - The decision depends on expected rather than actual wage differentials → migration despite urban unemployment
 - The probability of obtaining a city job is inversely related to the urban unemployment rate
 - High rates of migration are outcomes of rural urban imbalances

Schematic Framework for Analyzing the Rural-to-Urban Migration Decision



Impacts of Crisis (Dr.Archanun's Finding)

- Reduce work hours
- income < urban subsistence level
 - Find new jobs
 - Return home
- Family income in hometown 12,000 baht a month
- Poverty line $1200 * 5 = 6000$ baht per hh.

Seven key elements for policy alleviation of migration and employment situation

- **1. Creating an appropriate rural-urban economic balance**
 - Integrate development of rural sector
 - Spread of small-scale industries throughout the countryside
 - Reorientation of economic and social investments toward rural areas
 - Development of more modest-size cities

- **2. Expansion of small-scale, labor-intensive industries**
 - Government's direct investment and incentives
 - indirectly through income redistribution to rural poor
- **3. Eliminating factor-price distortions**
 - eliminate capital subsidies and curtailing the growth of urban wages → increase employment opportunities

- **4. Choosing appropriate labor-intensive technologies of production.**
 - Reduce technological dependence on developed countries by improving technological research and adaptation capacities.
 - Focus on the development of low-cost, labor-intensive methods of meeting rural infrastructure needs

- **5. Modifying the linkage between education and employment**
 - **Since modern-sector jobs increase more slowly than numbers of persons leaving the educational tunnel, it becomes necessary to extend the length of the tunnel and to narrow its exit**
 - **Direct the educational systems toward the need of rural development**

- **6. Reducing population growth**
 - **Through reductions in absolute poverty and inequality, especially for women,**
 - **Provision of family-planning and rural health services**

- **7. Decentralizing authority to cities and neighborhood**
 - **Policies need to be designed to reflect the need of local people**
 - **Local officers have greater information and incentives to carry out their responsibilities effectively**