

Migrants, towns and jobs – A poverty reduction perspective

Luc Christiaensen, Jobs Group, World Bank

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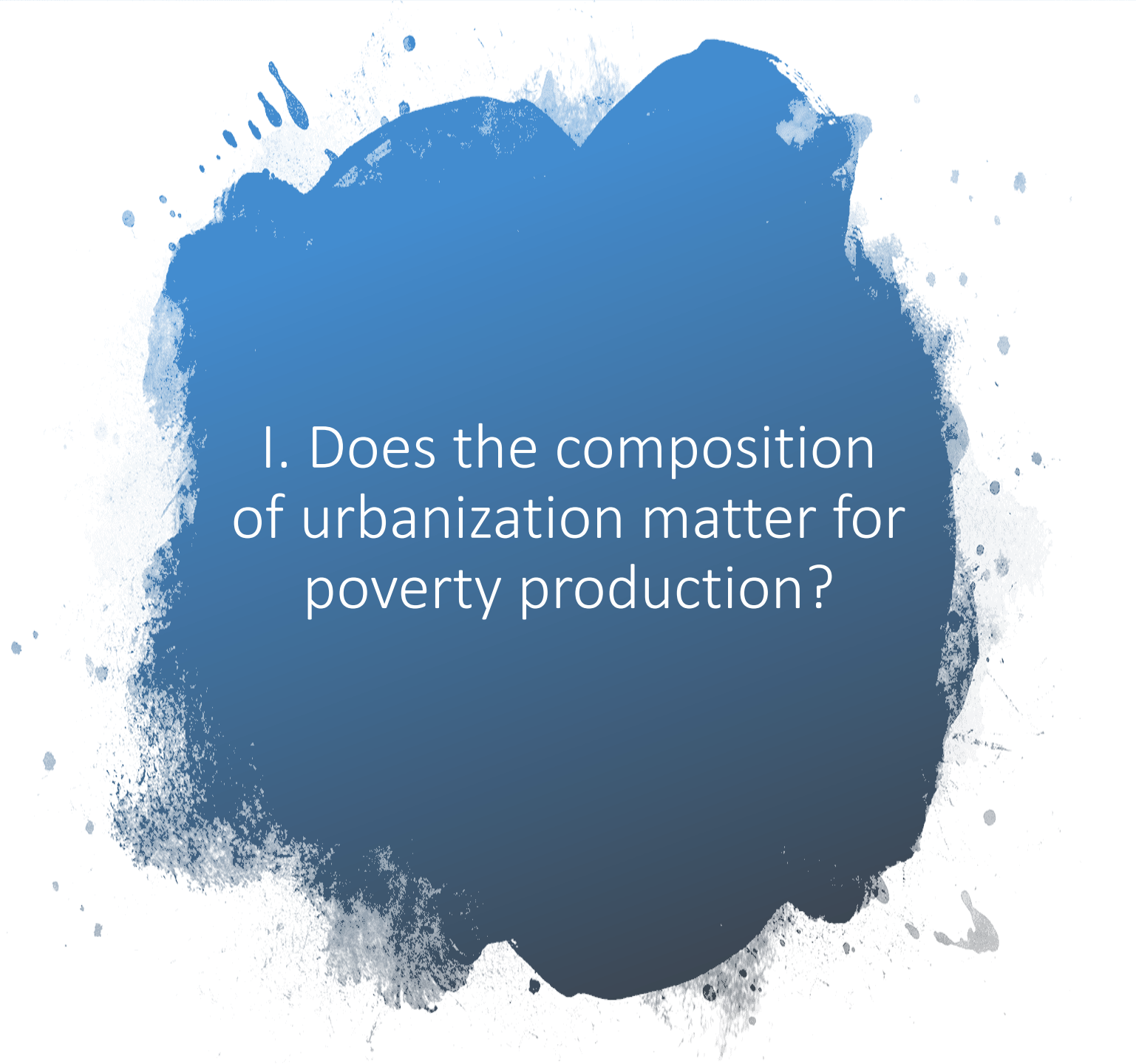
Outline – Two questions

I. Is secondary town development more conducive to poverty reduction?

- Theory & Empirical evidence

Q 2: If yes, what to do about it?

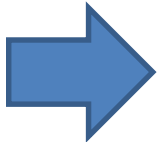
- Migrant perspective – labor supply
- Firm's perspective – labor demand
- City's perspective – roles and resources



I. Does the composition
of urbanization matter for
poverty production?

City size and poverty reduction – Why might it matter ?

- Agglomeration economies
 - Possibly, larger for cities than in secondary town → faster growth/employment → favors city development;
 - But agglomeration economies and their relevance differ by activity and thus level of development and political factors & congestion make it difficult to properly quantify them
- Linkages to the hinterland
 - Urbanization externalities through consumption linkages, upward pressures on agricultural wages, rural non-farm generation
 - Possibly stronger for cities, but overall reach possibly smaller in the aggregate when accounting for hinterland effects of all STs
- Rural-Urban Migration – jobs in small towns easier to reach for the poor and a larger share of the poor live around towns

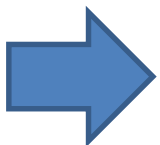


An empirical matter

Global evidence -

– city size and *economic growth*

- Frick and Rodriguez-Pose (2016, 2018, 2018)
 - Positive (but decreasing) effect of city size and urban concentration on economic growth in developed countries.
 - If anything, the relationship is likely negative in developing countries.
 - City size effects more positive when high share of industries w/ agglomeration economies, good urban infra, good urban governance

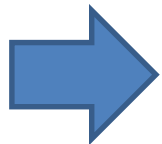


Even for economic growth, not so clear that cities are better than towns, at least not in developing countries.

Global evidence -

– *City size and poverty reduction*

- Christiaensen and Todo (2013, 2014)
 - Approach:
 - ✓ how does share of people in urban centers < 1 million & working outside agriculture (labelled “the missing middle”) affect the rate of poverty reduction.
 - Findings :
 - ✓ Even w/o controlling for economic growth, expansion of the intermediate space/towns is more poverty reducing than urbanization in bigger cities
 - ✓ Metropolitization is associated with higher inequality
 - ➔ Purported benefits of city size for economic growth do not outweigh those from proximity to towns enabling the poor to benefit from that growth



**Suggestive that development of the missing middle/
towns is more poverty reducing than metropolitization**

Country evidence -

City size and *poverty reduction*

- India (Gibson et al. 2017) – econometric analysis
 - using satellite observations of night lights as measure of urban growth, show that growth of secondary towns has larger direct (employment generation) and indirect (rural employment growth) effects on rural poverty than does big city growth
- Ethiopia/Uganda (Dorosh&Thurlow 2013; 2014) – CGE modeling
 - 10% point reallocation of public investment away from cities to towns leads to faster poverty reduction (Ethiopia, Uganda).
- Mexico (Berdegue and Soloaga, 2018)
 - Proximity to medium sized cities, those between 300,000 and 499,000 inhabitants, is most beneficial to rural welfare indicators.



Insights from Kagera, Tanzania

Kagera Health and Development Survey

Baseline in 1991-1994: 915 households, representative of the region

Follow-up rounds in 2004 and 2010 that aim to track every household member from the baseline survey, including those who split and those who migrated.



Baseline household



Follow-up household

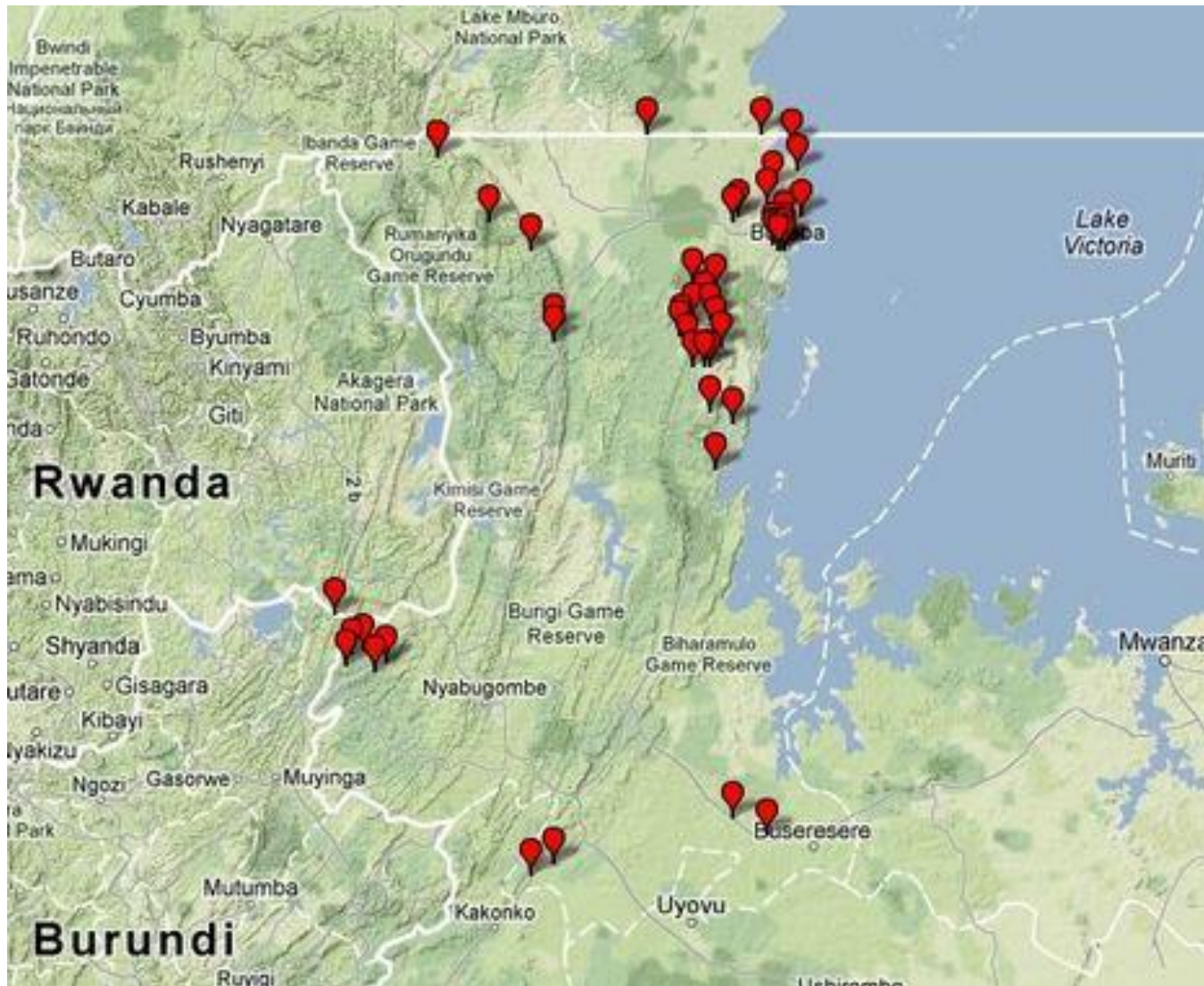


KHDS Baseline = 1991-1994

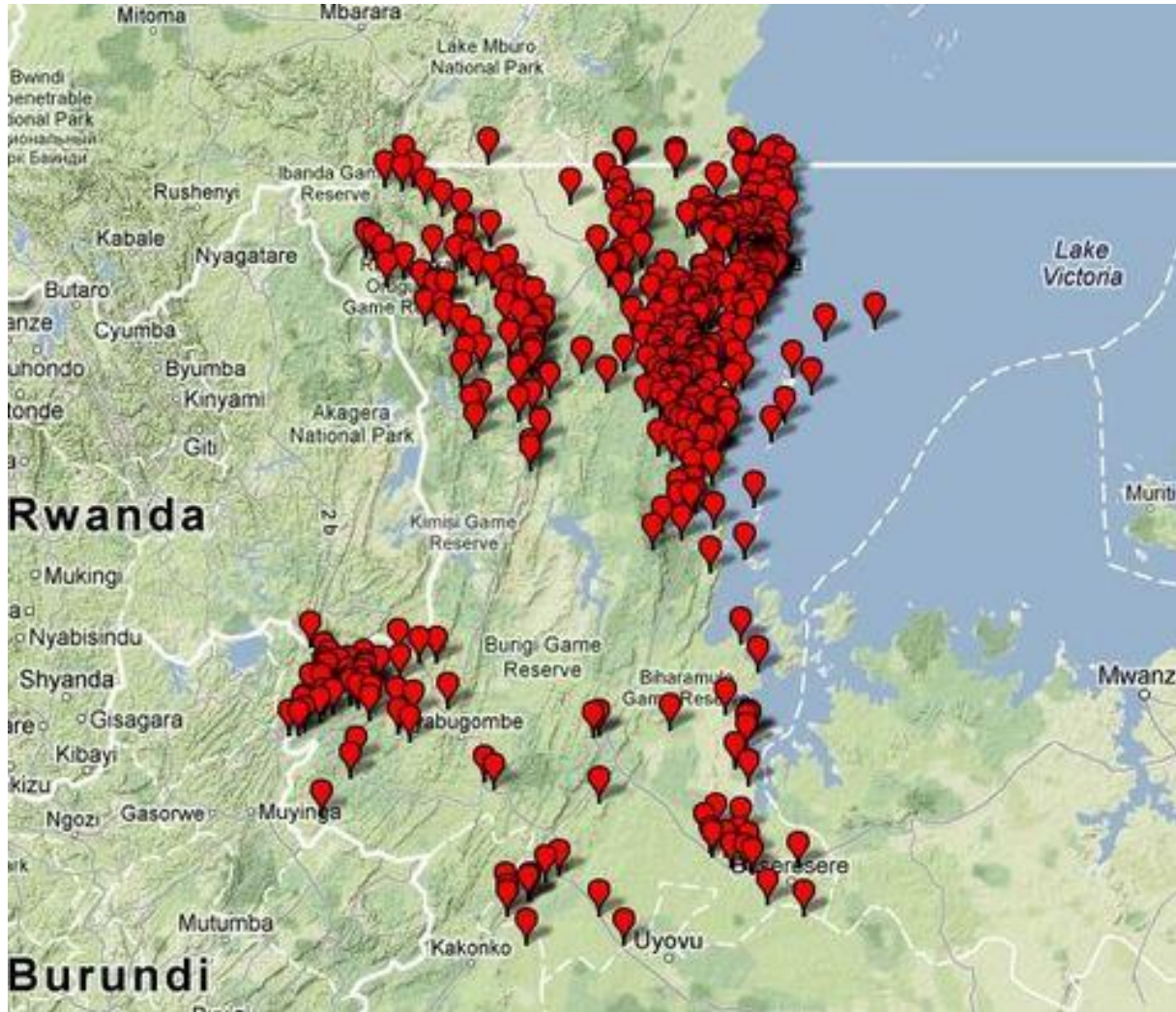
915
households

from 51
villages

93% from
rural areas



2010: Kagera



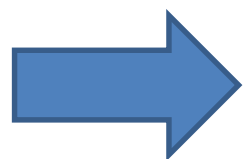
2010: Other regions & Uganda



Town migrants contribute more to poverty reduction than migrants to cities, b/c they are many more

2010 location	N	Poverty headcount			
		1991-94	2010	Change in Poverty headcount	Share in poverty headcount change
Rural	1086	0.56	0.35	-0.21	0.40
Town	720	0.45	0.14	-0.31	0.38
City	285	0.45	0.02	-0.42	0.21
Total	2073	0.50	0.23	-0.27	1.00

Similar findings from the national panel in Tanzania 2008-2012



Larger size outweighed smaller intensity.

But if so lucrative, why aren't more people moving to cities?

- Conceptually
 - *Selection* - those making it to the city, are different (Young 2013; Hicks et al 2018)
 - *Friction* - it is harder to make it to the city (Gollin et al. 2017)
- Empirically – Kagera (De Weerdt et al. 2019). They link the choice of destination to the characteristics of the
 - destination (e.g. wealth/earnings potential)
 - relation bw individual and destination (e.g. distance)
 - individual (through individual fixed effects)

Deterrence of distance dwarfs attraction of wealth

Likelihood of destination choice

	(1)
Distance to destination (ln km)	-0.025*** (-21.176)
(-)- * (poor HH)	
(-)- * (yrs schooling)	
(-)- * (age in years)	
Wealth index	0.006*** (6.062)
(-)- * (poor HH)	
(-)- * (yrs schooling)	
(-)- * (age in years)	
R-square	.0443
F	827
p-value F	0.000
N	156,936

Wealth would have to go up by 5.7 standard deviations to offset a 1 standard deviation increase in distance

The poor, the less educated and older people are even more deterred by distance and less attracted by wealth

Back to the Kagera sample

- Distance of villages in Kagera to closest urban center is much smaller for towns than cities

	distance to closest (km)			
	mean	median	minimum	maximum
City (>500k)	206	194	143	285
Big town (100-500k)	55	38	2	166
Small town (10-100k)	16	14	0	58

- Deterring effect of distance far outweighs the effect of greater attraction (wealth) of the city → friction more important than selection
- What friction? What do migrants say?

Qualitative evidence. What do migrants say?

- We conducted in-depth life history interviews with 75 migrants to ask them how they ended up where they are (Ingelaere et al. 2018)
<https://blogs.worldbank.org/jobs/secondary-towns-migration-and-jobs-creating-action-space>.
- Proximity emerges as key to reduce migration costs (transport, housing, finding a job) also because of greater likelihood of social networks, greater cultural similarity, and greater ability to return. Lifecycle effects (and inertia/aspirations) further explain why many eventually also remain and settle in towns
- By facilitating the first move, secondary towns open up the horizon of rural people. That, in turn, sets in motion a virtuous cycle of human and physical capital accumulation and economic improvement
- Physical and economic mobility go hand in hand and secondary towns play an important role in opening up the action space of rural dwellers.

Raymond's tale

- Raymond's tale (from Ingelaere et al, 2018). It was narrated to us in 3:15 h of taped interview and transcribed onto 75 pages of text.
- “Raymond was 15 years old when his father died. In his will his father had instructed the house and half of the family farm to go to Raymond, once he would have grown old enough to take proper care of them.
- But, like many local boys, Raymond was attracted by life outside his home. There used to be video shows in our village and all the famous football players, like Runyamila, seemed to live in Dar. We were childish at the time and we thought that if we went to Dar we'd see all these people.”

Raymond's tale

- Raymond was not sure that he was street smart enough to survive in Dar. Having spent all his life in his home village, speaking mainly Haya, he worried about his knowledge of the national language (Swahili), about his level of education and about his lack of exposure.
- Besides, he would never be able to afford the fare to Dar, USD 50 one-way at the time, a huge amount given the limited opportunities to earn cash in the village, especially for a youngster like himself, and he did not have anyone who could host him temporarily upon arrival.

Raymond's tale

- Dar being outside of his league, some of the other obvious urban options for Raymond were Mwanza (700,000 people, 435 km away, one-way fare of USD 12) or Bukoba (100,000 people, 50 km away, one-way fare USD 2).
- Bukoba was not only physically a much closer location, but also more familiar. Many of the people in Bukoba had backgrounds Raymond could more easily relate to. And while Swahili was the lingua franca, Haya could be heard everywhere on the street.

Raymond's tale

- By the time he was 19 years old he had saved up USD 10, earned primarily through farming tomatoes and fishing in a small lake close to his village. He also knew a person who could host him for a while.
- He also had a goal. He had always been fascinated by cars and had heard that the Lake Zone Driving School taught young men how to drive. So, he set off to Bukoba with the aim of becoming a driver.

Raymond's tale

- To find employment to pay for driving school he went into shops asking whether there was any work to be done and got an interesting proposition from one shopkeeper whose shop had a veranda adjacent to the bus stand.
- He would receive wholesale quantities of sugar, soap, rice, sweets, chewing gum & other goods on loan and sell them on in retail quantities outside the shop, with a small mark-up.
- Many of his customers were locals traveling to and from the nearby villages. It took him a month to get set up in his own place and a year to save up enough money to go to driving school.

Raymond's tale

- Not long after completing driving school, the local authorities started cracking down on hawking and street trade. Raymond did not feel secure anymore in Bukoba and his income. He wanted to get out of Bukoba quickly and going back home, “where you can always eat bananas for free”, was his best option.
- Returning back after a month, he tried to pick up his business but found that other players had moved in and the prices he needed to sell at were being undercut by bigger players with more capital.

Raymond's tale

- He was then 20 years old, but much had changed in the past year and a half. Raymond had been in a familiar environment, but he had also been exposed to people from all over Tanzania and now spoke Swahili with confidence. All the while the free bananas from the village had only been 50km away, a distance he could cover by bus for USD 2, or, even on foot if he had really hit rock-bottom.
- He had also built up contacts with people who had ventured further out, travelers who had been to Kampala (capital of neighboring Uganda), Mwanza and Dar es Salaam. One of those people had told him about an employment opportunity off-loading trucks and boats in a fish exporting factory on the shores of Lake Victoria.

Raymond's tale

- Raymond decided to take up the invitation, partly because his friend had told him he could host him for a while. He sold off his belongings in Bukoba for USD 35 and with that money bought a USD 12 one-way ferry ticket to Mwanza.
- Between 1997 and 2015 he made 8 moves in total, including 8 years in Dar. With every move his finances, networks, urban savviness and professional skills improved. Through every move he made, Raymond gradually expanded his action space, i.e. the range of possible destinations he could travel to as well as the different ways of making a living at his disposal.
- Secondary towns like Bukoba played a crucial role in this process. It is the urban environment where his aspirations and resources were built and adjusted.

So, is secondary town development more conducive to poverty reduction?

- Our quantitative and qualitative evidence supports the notion that small towns can play a central, perhaps even a dominant, role in poverty reduction.
- Incomes in cities are larger than in towns, but not enough to compensate for the fact that they are also farther away
- This explains the rapid growth of small towns in Tanzania, and likely also in Africa
- This birth and rise of small towns as attraction poles of rural migrants will in turn reduce distance
- This greases the wheels of the structural transformation and makes towns powerful for development
- Investment in small town development can help this process.
- How to do so is the topic of this gathering and research.



II. How to foster small town development and facilitate labor market integration of migrants?

Migrant perspective – labor supply

Three insights from Raymond's tale

- Information disadvantage – networks – labor market intermediation
- Social insecurity – rural area as fall back – urban social safety nets
- Informality – housing/squatting; hawking

➔ Map out specific needs of rural-urban migrants

Firm perspective – labor demand

Location decision of the firm

- Business climate (availability of land, infra, labor, predictability)
 - Proximity to inputs (agro-processing; mining), labor, customers + degree of spill-over effects and economies of scale and specialization
 - Complementarity of skills (need for social services and amenities to attract and retain high skilled labor)
- ➔ Understand the location specific constraints to investment and innovation

City perspective - governance

**Balance
responsibilities
and financial
resources**

**Strengthen
administrative
and planning
capacity**

Overarching issues

Secondary town development requires a territorial approach, i.e. coordination w/ national govt and across ministries

Important data gaps regarding intermediate cities for analysis and policymaking

Concluding remarks

- Secondary towns can be more conducive to poverty reduction
- This requires vibrant towns that generate jobs and integrate rural-urban migrants.
- Doing so requires integrated/territorial approaches and filling data gaps on towns



Thank you!

Further reading/listening

- Christiaensen, L., and R., Kanbur, 2017, Secondary Towns and Poverty Reduction: Refocusing the Urbanization Agenda, *Annual Review of Resource Economics*, 9: 405-419 <https://www.annualreviews.org/doi/abs/10.1146/annurev-resource-100516-053453>.
- Christiaensen, L., J., De Weerd, B., Ingelaere and R., Kanbur. 2018. Migrants, Towns, Poverty and Jobs – Insights from Tanzania. *World Bank Policy Research Working Paper 8340*, Washington D.C. (<https://vimeo.com/320501270>) (<https://openknowledge.worldbank.org/handle/10986/29374>)
- Ingelaere, B., L.Christiaensen, J. De Weerd and R. Kanbur. 2018. “Why Secondary Towns Can Be Important for Poverty Reduction: A Migrant Perspective,”, *World Development*, Vol 105, pp 273-282. (<https://www.sciencedirect.com/journal/world-development/special-issue/10M1NZVG3C4>)
- Christiaensen, L., A. Gonzalez, and D. Robalino, 2019, Migration and Jobs – Issues for the 21st Century, *World Bank Policy Research Working Paper 8867*, (<https://openknowledge.worldbank.org/handle/10986/31749>)