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**RURAL MIGRATION IN MEXICO**  
**An Overview**

**By**

**Francisco Meré <sup>1</sup>**

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<sup>1</sup> Francisco Meré, is a Senior Executive at Societé Générale, and former CEO of FIRA, a Mexican Government-owned financial institution that is the leading lender for agriculture and agribusiness. The views expressed in this paper are the sole, independent and personal opinion of the author and may not be attributed to any other party. The author wishes to thank Ernesto Fernandez, Pablo Sherwell and Oscar Salomón for their valuable contribution.

## 1. Introduction

Migration of labour is an important component of globalisation and economic development. National and international migration has noticeably been growing over the last century in Mexico. During the last 50 years, the structure of the Mexican population has changed significantly. Faced with fewer opportunities in the rural economy, Mexican workers have emigrated to urban areas and to the U.S. Over the last 100 years, Mexico has experienced a transition from a rural to an urban economy. Consistent with that trend, nowadays less than 23 percent of the population lives in rural areas. However, poverty is more endemic to rural areas, where the worst cases of impoverished population are found, thus increasing migration.

In a world where banks usually do not lend money to small farmers and insurance is nonexistent for most people in less developed countries (LDCs), international migration raises hopes and concerns for the countries from which international migrants come. Some migrants fail to arrive at the destination, some are detained at the border and sent back, some fall victim to unscrupulous smugglers and some succeed in migrating. In addition, other social issues arise from migration, such as disease transmission (HIV) and single parent families due to migration of one parent. However, migration also produces economic benefits from the income that migrants send home<sup>2</sup>. Remittances are by far the most tangible benefit of international migration.

Previous studies on the impacts of international migration and remittances focused on households and regions that sent migrants and received remittances considering only direct effects of migration and remittances on households and regions. Recent research aims to uncover different ways in which migration and remittances influence income and production. This paper seeks to provide a general overview of the population dynamics and the economic impact of rural migration, as well as outline the incentives that cause rural migration.

The evidence shown in the population dynamics of this analysis relies on the National Survey of Rural Households (ENHRUM). The structure of this analysis is as follows: Section 2 explains national and international migration. Section 3 examines the international remittances and the household income, sections 4 and 5 through light on economic and non-economic incentives for migration and section 6 concludes.

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<sup>2</sup> For example in 2004 remittances were equivalent to 78 percent of the total value of exports in El Salvador and 108 percent in Nicaragua. In addition, they represented 11 percent of the GDP of Guatemala and 16 percent of GDP of El Salvador.

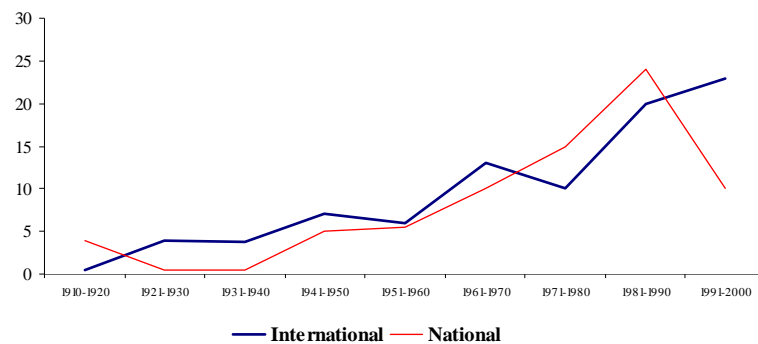
## 2. Population Dynamics

Rural migration to urban areas in Mexico has been an ongoing process. However, during the past 30 years it has grown. In particular, migration grew 182 percent from 1980 to 1994 and 352 percent between 1980 and 2002. In contrast, rural migration to the U.S. grew 92 percent from 1980 to 1994 and it grew 452 percent from 1980 to 2002. Some studies, such as Yúnez-Naude and Taylor (2007), suggest that national and international migration (to the U.S.) grew noticeably during the 90s and the beginning of the current century and not necessarily in 1994 when the NAFTA agreement started.

Not all rural migration flows to the U.S. According to the Programme of Studies on Economic Change and Sustainability of the Mexican Agriculture (PRECESAM, 2006) migration from communities in the northern states generally flows to the U.S., while in the southern states the majority of the communities have people who moved to Mexican cities. Communities at the centre of the Mexican territory send individuals to national and international areas almost indistinctively.

One of the main differences between national and international migration is that international migration involves higher costs and risks, but also higher economic returns compared to internal migration (Taylor, 2006).

**Mexican National and International Migration**



Source: Authors' estimations based on ENHRUM.

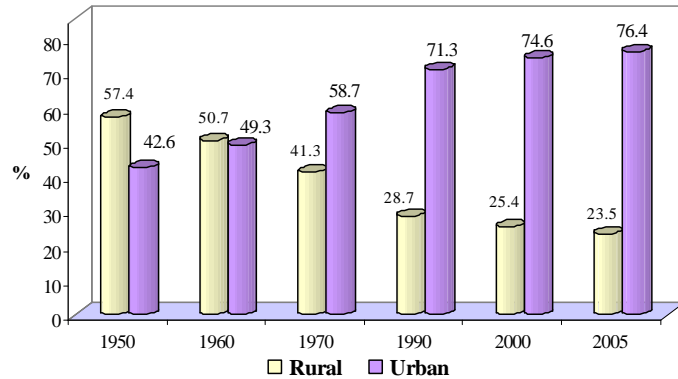
Rural migration in Mexico represents significant flows of relatively low skilled workers whose productivity and wages are far higher abroad than at home. Yunez-Naude and Taylor (2006) suggest that emigration may be explained by three phenomena: increased agricultural productivity and urban growth in Mexico and demands for unskilled labour in the U.S.

## 2.1 National Migration

Mexico experiences migration in at least the following ways: as a country of origin, as a place of transit and as a destination. Accurate information about the nature, quantity and conditions of migration is an essential foundation for policy analysis and legislative reform.

Rural migration started to grow since 1990. In 1950, the majority of the population lived in rural areas. However, at present more than 76 percent of the population lives in urban areas and less than 23 percent lives in rural regions.<sup>3</sup>

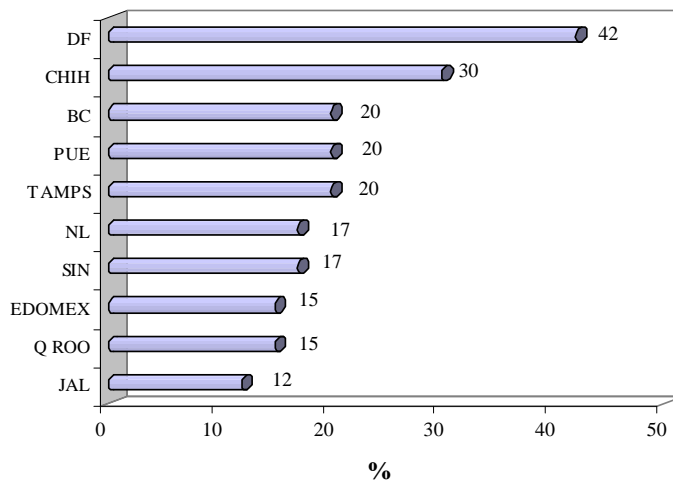
### Rural and Urban Population in Mexico



Source: National Statistics and Geography Institute (INEGI).

The major local destinations of Mexican immigrants during 2002 were: Mexico city (42 percent), followed by Chihuahua (30 percent), Baja California (Tijuana), Tamaulipas and Puebla (each state with around 20 percent), Sinaloa and Nuevo León (17 percent), the states of Quintana Roo and México (15 percent) and Jalisco (12 percent). In addition, the people who have emigrated to the rest of Mexico in 74 percent of the communities, they have not returned to live permanently to their place of origin.

### National Migration in 2002



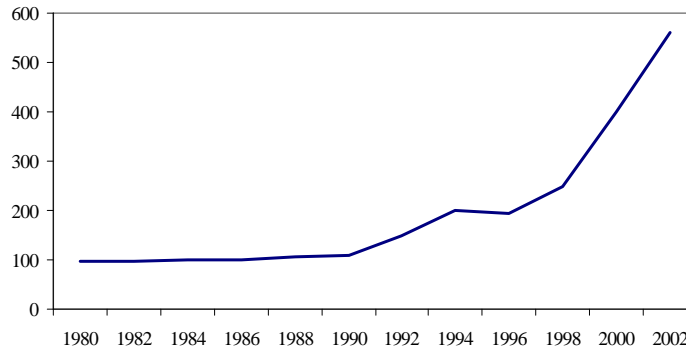
Source: INEGI.

<sup>3</sup> According to the National Statistics and Geography Institute (INEGI) a rural area is defined as a region where less than 2,500 inhabitants live while urban areas have more than 2,500 inhabitants.

## 2.2 International Migration

Unlike urban migration, international migration has been growing over the last twenty years. For instance, while the index of rural migration to the US grew 12.4 percent between 1980 and 1990; in contrast, between 1998 and 2002 this index grew 124 percent.

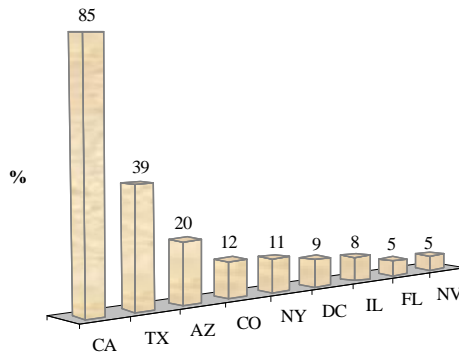
**Index of Rural Migration to the US  
(1980=100)**



Source: Authors' estimations based on ENHRUM.

It is also important to stress that in 74 percent of the surveyed communities people tend to remain permanently in the U.S. Immigration to California in the last three decades has been extraordinary. By the mid-1990s, California's eight million immigrants represented one in four state residents and fully one-third of all immigrants in the United States.

**Major Destinations in the US**



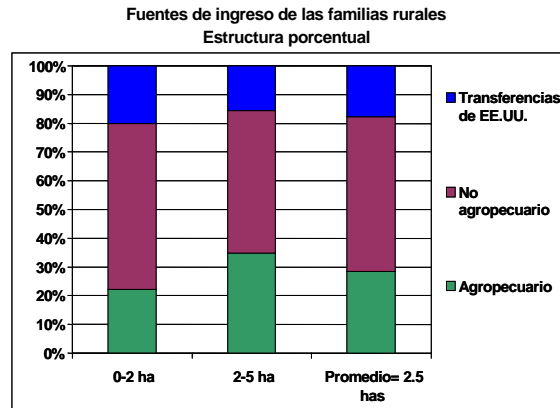
Source: Authors' estimations based on ENHRUM.

California is the main destination of most Mexican emigrants (85 percent of the surveyed communities had emigrants to such state). Communities also had emigrants to Texas (39 percent), Arizona (20 percent), Colorado (12 percent), New York (11 percent), Washington (9 percent) and the states of Illinois, Florida, Nevada and North Carolina (between 8 percent and 5 percent respectively).

### 3. Economic Effects

#### 3.1 International Remittances and the Household Income

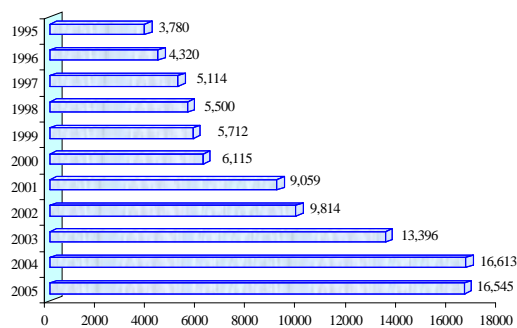
Studies by the U.N. show that migration is an important component of globalization and economic development for many LDCs. International migration produces benefits and costs. Benefits are basically represented by the income or remittances that migrants send to their country and the costs may include the labour force that is lost in the country that is sending migrants. Remittances from such migration have been altering the income structure of Mexican rural households over the past years. Remittances from rural-to-urban and rural-to-international migration (predominantly to the United States) are becoming a relevant part of household income, particularly for those who hold a smaller plot of land, where remittance may represent as much as 30% of the household's income.



Source: IICA

#### Family Remittances in Millions of US Dollars

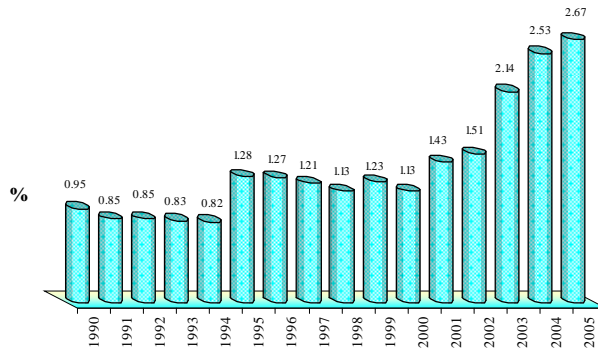
According to the Central Bank of Mexico, during 2004 the remittances from Mexicans added 16,613 millions of dollars and over the past year, remittances have been growing at a pace of 20 percent per year.



Source: Authors' estimations based on Banxico.

### Mexican Remittances as a Share of GDP

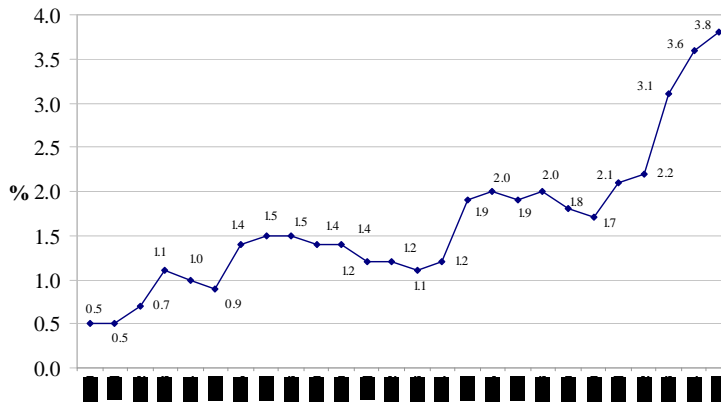
Mexican remittances as a share of GDP have been growing. In 1990, remittances represented 0.95 percent. However, they represented 1.28 percent in 1995 and 2.67 percent in 2005.



Source: Authors' estimations based on Banxico.

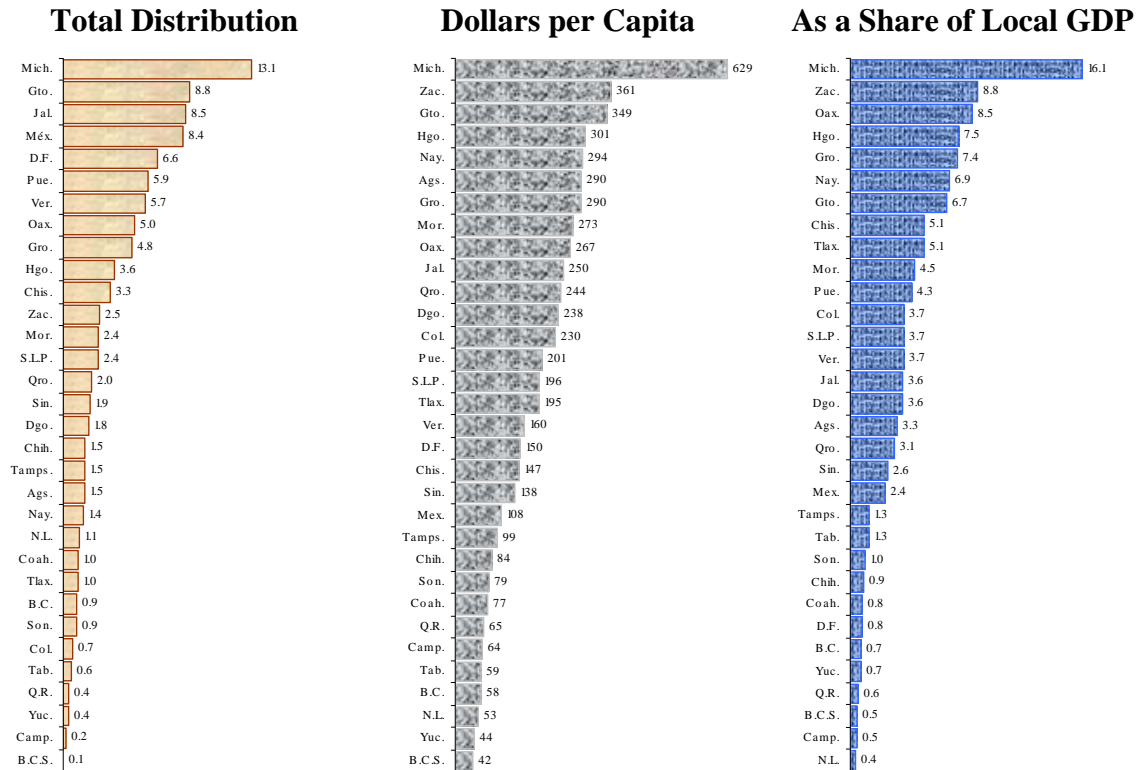
Remittances have also played a very important role in Mexico's development. They constitute an important part of Mexican families' income. The proportion of remittances on consumption has been growing. This ratio grew 123.5 percent between 2000 and 2005. In 1980, they represented only 0.5 percent of consumption; however, by the year 2005 they represented 3.8 percent.

### Remittances as a Share of Aggregate Consumption



Source: Authors' estimations based on Banxico.

## Remittances Composition by State



Source: Authors' estimations based on Banxico.

According to the Central Bank of Mexico, if Mexican remittances were cancelled, the level of aggregate consumption would decrease around 3 percent and the per capita GDP would diminish around 0.3 percent. Of course, such impacts would be much higher on the states that receive higher remittances.

If remittances are an important share of households' income, a natural question is how they spend their new income. It is expected that remittances are invested productively, in ways that create new income opportunities at home. Taylor (2006) suggests that in most countries that face migration outflows, a substantial part of remittances is consumed instead of invested and therefore they are not put to productive use in migrant-sending areas<sup>4</sup>. However, the Mexican case seems to show different results. Taylor and Mora (2006) and Adams (2005) propose that in the case of Mexico when they compared expenditures in households with and without international migrants, they found that the household with international migrants spent more on investment and less on consumption than other households at the same income level<sup>5</sup>. They also emphasise that by providing

<sup>4</sup> Most studies conclude that remittances are consumed instead of invested and thus are not put to productive uses in migrant sending areas (see Chami et. al, 2003; Taylor et. al, 1996; Durand and Massey, 1992 and Papademetrius and Martin, 1991).

<sup>5</sup> They found similar results for the case of Egypt.



households with the liquidity and income security they need to invest, migration and remittances can create “income multipliers” within households.

## **4. Incentives for Rural Migration**

### **4.1 Economic Incentives for Rural Migration**

Taylor (2006) argues that the problem that researchers have in trying to test whether migration affects development is that underdevelopment also drives migration. He stresses that it is not common to see streams of migrants leaving economies that are dynamic centres of employment creation. Accordingly, if migration and underdevelopment seem to go hand in hand, it might be because the loss of people to migration retards development, but it may also be that people migrate away from underdeveloped areas which have little to offer them if they stay. Both intuitions may be true, therefore it is important to understand which dominates and to separate out the cause from the effect.

In the case of Mexico underdevelopment may drive migration because the income structure is highly segmented between urban and rural areas. This segmentation can be appreciated mainly from wages, which in Mexico represents 87 per cent of the household income. Levy et al. (1995) argue that formation of salaries between urban and rural areas is dissimilar. Salaries in urban areas are a function of contracts, usually higher than minimum wages, and salaries in rural areas are determined by demand and supply of labour. The structure of both types of salaries make income, prices and costs structures very different between regions.

PRECESAM (2006) suggests that the Tequila crisis and the consequent currency devaluation may explain rural migration to the US, because such depreciation increased the value in national currency of remittances sent to Mexico. This changed relative prices and motivated Mexican rural workers to move instead of investing their time and resources in activities related to local or national markets.

In relation to the approach of the new economics of labour migration, farmers may not sell because of the high cost of getting their crops to the market and a lack of market information. Even if they could get the cash to purchase inputs like fertilisers and pre-harvest labour, the supply of inputs often is unreliable, transportation costs are high, and workers outside their families may be hard to monitor. Labour migration is likely to facilitate new market opportunities. On the other hand, few bank credit is available to a subsistence farmer and the local money lender terms are prohibitive. Consequently the migrant becomes the financial source, the credit or the insurance substitute. Taylor et. al (1995) and Taylor (2006) mention that more than 50 percent of businesses in rural Mexico are funded with US migrant earnings.

Finally, migration in rural Mexico would also be expected if national exports were not enough to guarantee employment for the unemployed population coming from the decline in the production of imported commodities such as corn.

## 4.2 Non-Economic Incentives for Rural Migration

In relation to non-economic factors that may interfere with rural migration from Mexico to the US according to Yúnez-Naude and Taylor (2007) are:

- ❖ The US process of immigrant legalisation.

The Immigration Reform and Control Act in 1986 (1986 IRCA) encouraged massive migration of Mexican families with legal US residents. This law was created with the intention to reduce illegal immigration to the US, which was perceived as an economic problem for the U.S. economy. The law established a one-year amnesty programme for illegal aliens who had worked and lived in the US since January 1982. Those eligible could apply for regularization of status and eventually full citizenship. The law also mandated the intensification of Border Patrol activities. Over 2.7 million illegal aliens and others not qualifying for visas were legalized under the 1986 IRCA amnesty. This legislation has been frequently criticised because for each illegal alien granted amnesty under the plan, approximately four new ones have since replaced them. Hence, critics point out that amnesty is not the solution for the large number of illegal immigrants currently in the US. Another criticism is what may be referred to as *daisy chain* migration. An alien who has been legalized can file a petition for an alien relative so that his family can join him in the US.

Recent studies have found that not only economic incentives such as higher wages and remittances encourage Mexican migration to the United States, but established migration networks such as family bonds also serve as important determinants of migration.

- ❖ Land reforms.

Despite the fact that legal reforms in the early nineties allowed *ejido*<sup>6</sup> farmers to sell and pledge their land, no formal market has emerged, in part for economies of scale, but also due to inexistence of a pension or retirement system for farmers. Thus, land is kept as a safety net for residual value and self-consumption.

- ❖ Accumulated effects.

Regardless of its causes, there is strong evidence to sustain that migration is self-motivated. This process is also known as accumulated causal effects.

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<sup>6</sup> Ejido is a form of communal property of land that arose from land reform after the 1910 Mexican Revolution. The ejido property grants a perpetual right to use the land, but no right to sell or pledge.

- ❖ Higher security measures in the US border.

Because of the higher security measures in the US border, illegal immigrants remained for longer periods and unified their families in the US.

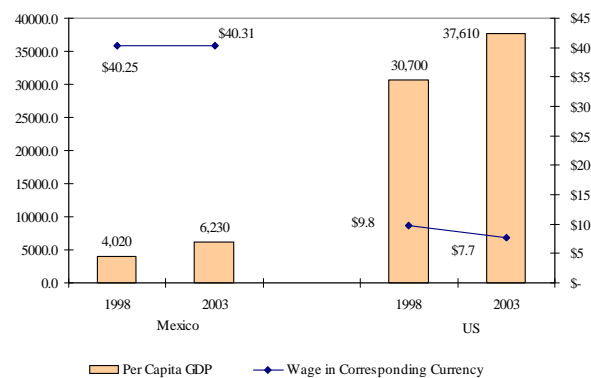
Finally, one of the most important driving forces of international migration is migration networks; these are contacts of family members and neighbours who have previously migrated. This is important because “pioneer” migrants send home not only remittances but also information about how to migrate, where to look for work what labour or smugglers to trust, what wages to expect and migration costs and risks and how to overcome them. He also mentions that past migrants may also support new migrants at the destination, and they may be willing to help finance the migration costs and insure against the risks. As a result, the more households in a village that have migrants, the more likely that other households in the village will eventually send migrants abroad (Taylor, 2006).

## 5. Concluding Remarks

It has been observed that rural migration is encouraged by economic and non-economic factors. Legal reforms of both countries have not been very effective in preventing rural migration. International migration is driven by networks, whether through contacts with others who have migrated or through recruitment. The critical question for the Mexico is how to design policies that can create employment and income opportunities in rural areas to slow-down migration. In addition, measures should be taken to enhance the potential for migration to contribute to economic development in migrant-sending regions and how to use migration as a development tool.

Looking at the relationship between wages and output. While the two economies are growing, the labour costs are also growing in Mexico. This does not happen in the US. The US economic growth may not imply higher labour costs because migrants’ wages are decreasing, thereby making the US economy more competitive.

**Mexico and US Labour Costs and Output**



Source: Authors’ calculations based on INEGI and Barrón-Pérez (2005).

We aimed to show an overview of national and international rural migration in Mexico. We have mentioned the driving forces of rural migration and presented the economic impact on household income. There are many preconceived notions about what drives national and international rural migration in Mexico and how it affects the households’ income. This paper has tried to explain these two concerning issues. However, further research needs to be done in relation to the negative effects of migration of Mexico; these

include the costs for losing labour and human capital to foreign labour markets or *brain drain*. These effects need to be balanced with the positive effect of remittances and their economic multipliers when directed to investment which may increase productivity in agricultural and non-agricultural activities, alleviate poverty and other investments in public services such as schooling and health.

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