Labor Migration Issues with the Rural Poor

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Outline

- Acknowledgment
- Poverty and Labor Migration
- A research endeavor towards Sustainable Livelihood — particularly for women.

Gratitude and Vote of Thanks

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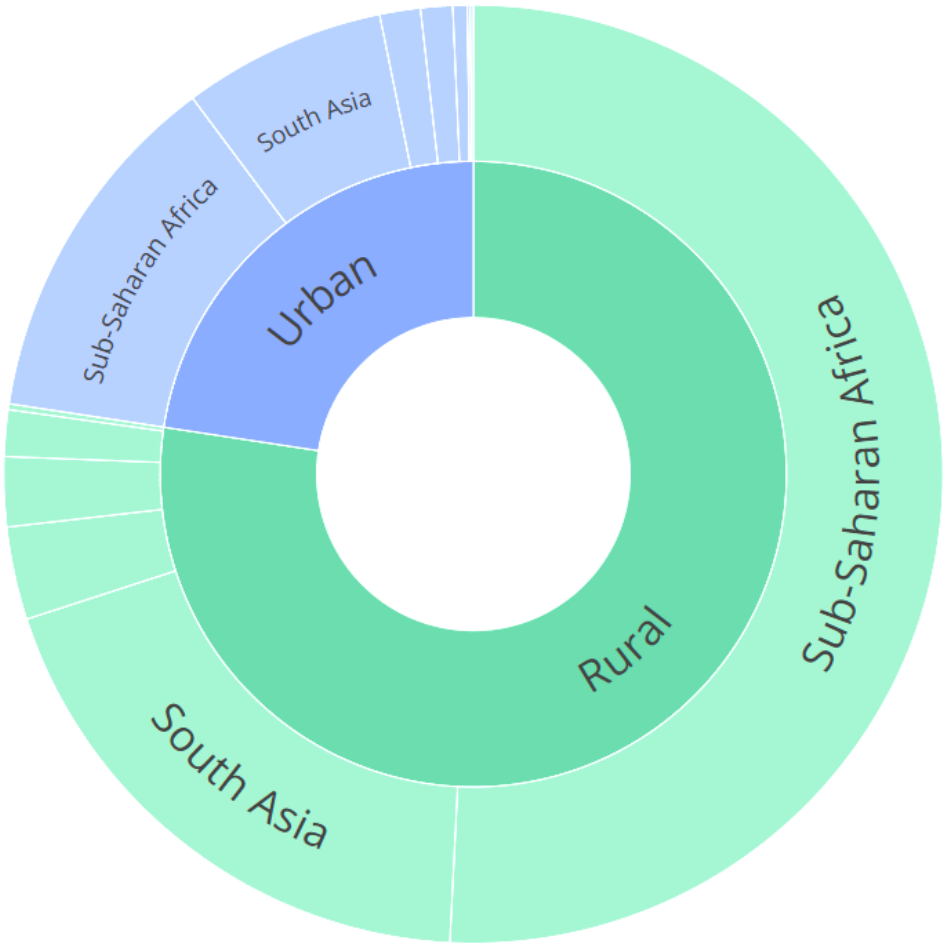
- **Family members and friends**.

Where do the world's 700 million poorest people live?

75% of the global extreme poor live in rural areas (WB 2024)



Source: Poverty, Prosperity, and Planet Report 2024, Poverty and Inequality Platform (PIP), Global Monitoring Database (GMD)

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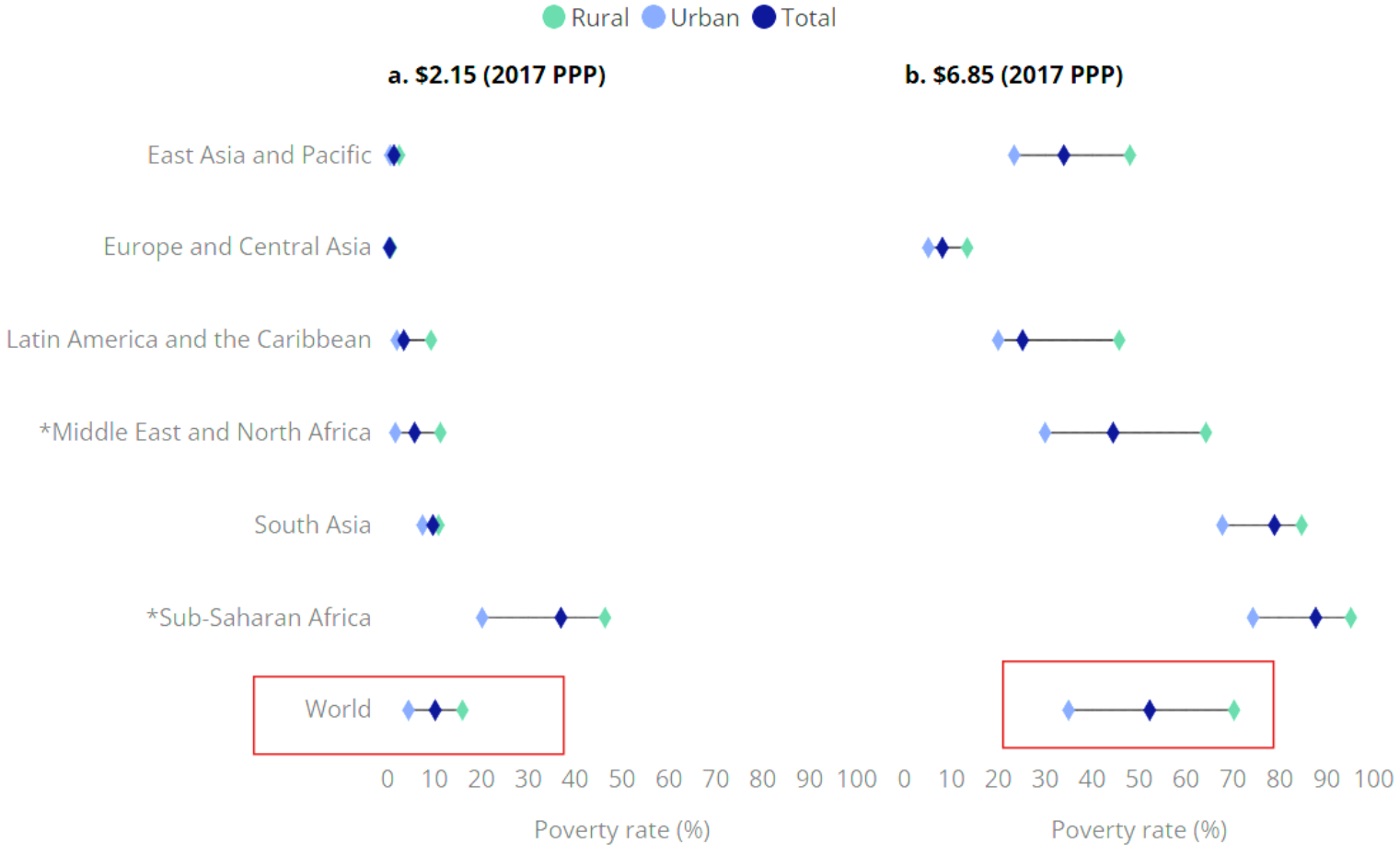
Poverty is predominantly a rural phenomenon

Global Extreme Poverty in rural areas stands at 16%, while urban poverty is at 5%.



Source: Poverty, Prosperity, and Planet Report 2024, Poverty and Inequality Platform (PIP), Global Monitoring Database (GMD) • * For the Middle East and North Africa and Sub-Saharan Africa, the recent survey data cover less than half of the population.

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Motivation (1)

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  - Recent structural transformation from agriculture to industrialization resulting in large urbanization.
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- Job opportunities in the urban areas are rising
  - Recent structural transformation from agriculture to industrialization resulting in large urbanization.
  - Rising wage arbitrage between rural and urban areas.
- However, globally, we observe a low level of internal rural to urban job migration by poor.
  - South Africa (Ardington et al. 2009)
  - South Asia (Bryan et al. 2014)
  - Europe (Hatton and Williamson 1998)

Motivation (2)

- **A puzzle**: Why do the poor often fail to capitalize on job opportunities by migrating from rural to urban areas, despite the apparent benefits?
- Classes of economic models highlighting reasons for such frictions:
  - Inadequate Job-related Information
  - Skill (and Costly acquisition of skills)
  - Credit constraints
  - Lacking Job-related Network
  - Risk/uncertainty of Migration
- Difficult to test these economic models with observational data.
- Experimentally relaxed some of the constraints in Northern Bangladesh.

Study Context: Northern Bangladesh

- Among the most poverty-stricken areas of Bangladesh.
- Flood-prone and seasonal famine-like conditions in the lean season.
- Government-provided safety net programs are inadequate to reduce poverty (Khandker, 2012).

Internal Migration as a coping strategy?

- In Bangladesh, 10m net new jobs created in non-farm sectors b/w 2003-2013 (World Bank, 2013).
- The main contributor to these jobs is the manufacturing sector, dominated by the ready-made garment (RMG) industries.
- Exports of textiles and garments are the principal source of foreign exchange earnings (about 80% of exports).

- Perhaps, there is scope for the poor to take these opportunities.

Experimental Settings

T1 Information (2 USD/person)

- Day-long session to disseminate information on RMG job.
- Salary, recruitment process, environment, factory condition and living standards, etc.

T2 Info + Training (100 USD/person)

- One month-long full residential skill training (22 working days).

T3 Info + Training + Stipend (145 USD/person)

- T2 plus stipend;
- Cover opportunity cost of training and finance migration.
- $150 \times 24 = 3600$ BDT ($\approx$ 45 USD) given for a month as stipend.

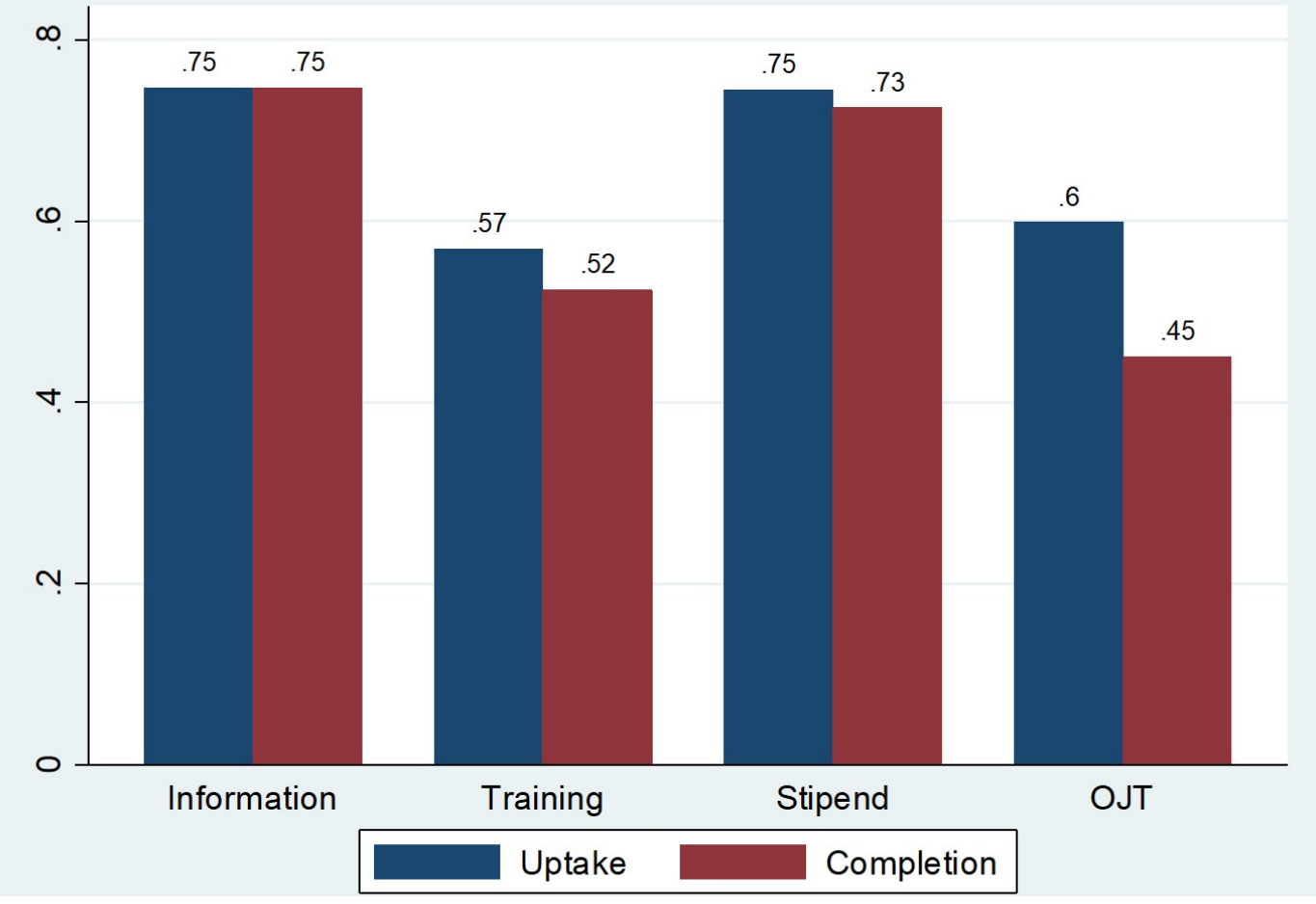
T4 Info + Training + Stipend + Internship (185 USD/person)

- T3 plus one-month paid internship at a garments factory located in Dhaka.

Training in Gaibandha and internship in Dhaka

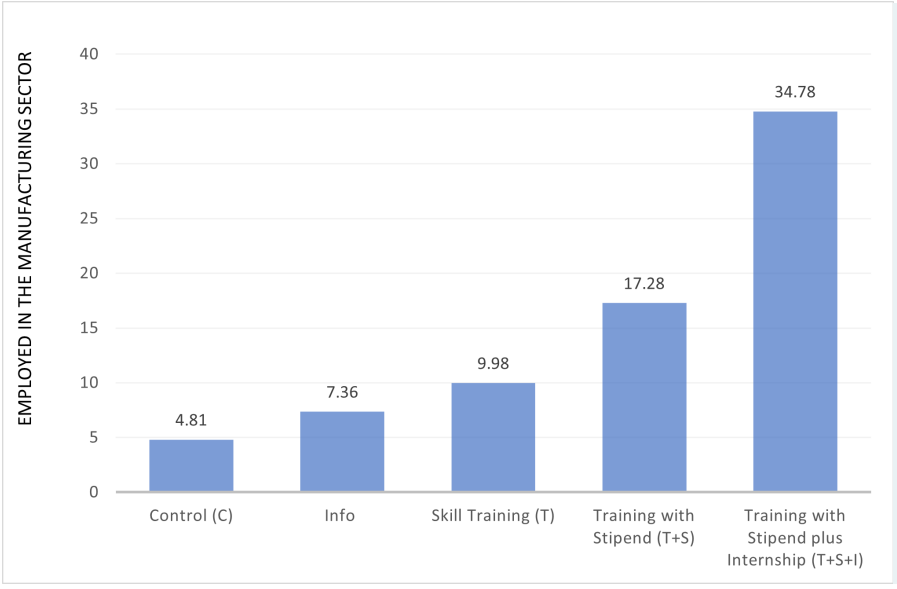
- Treatment implemented in partnership with Gana Unnayan Kendra (GUK).
- The treatment was implemented in batches in 2013-14.

Treatment Uptake and Completion

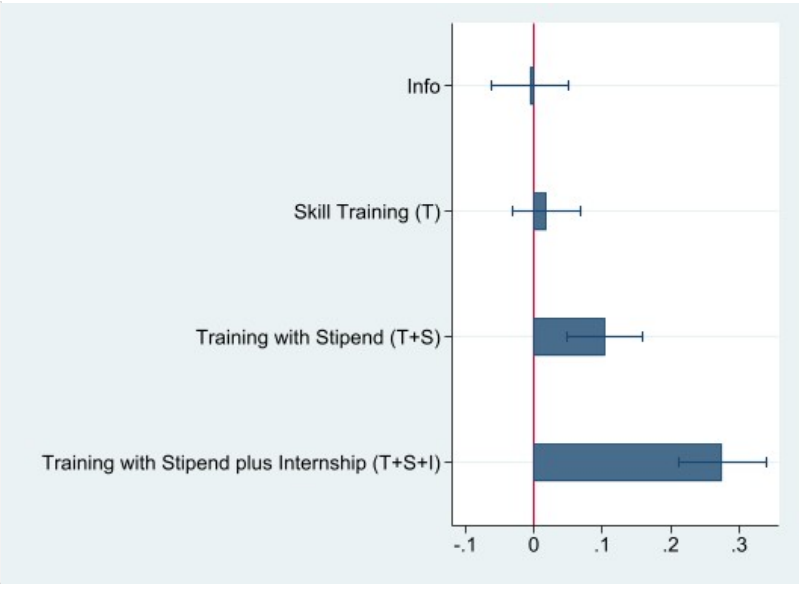


- Overall uptake rate 68%. Completion rate given uptake 92%
- Low update and completion among females, particularly in T4.

Manufacturing Sector Employment after 6 months

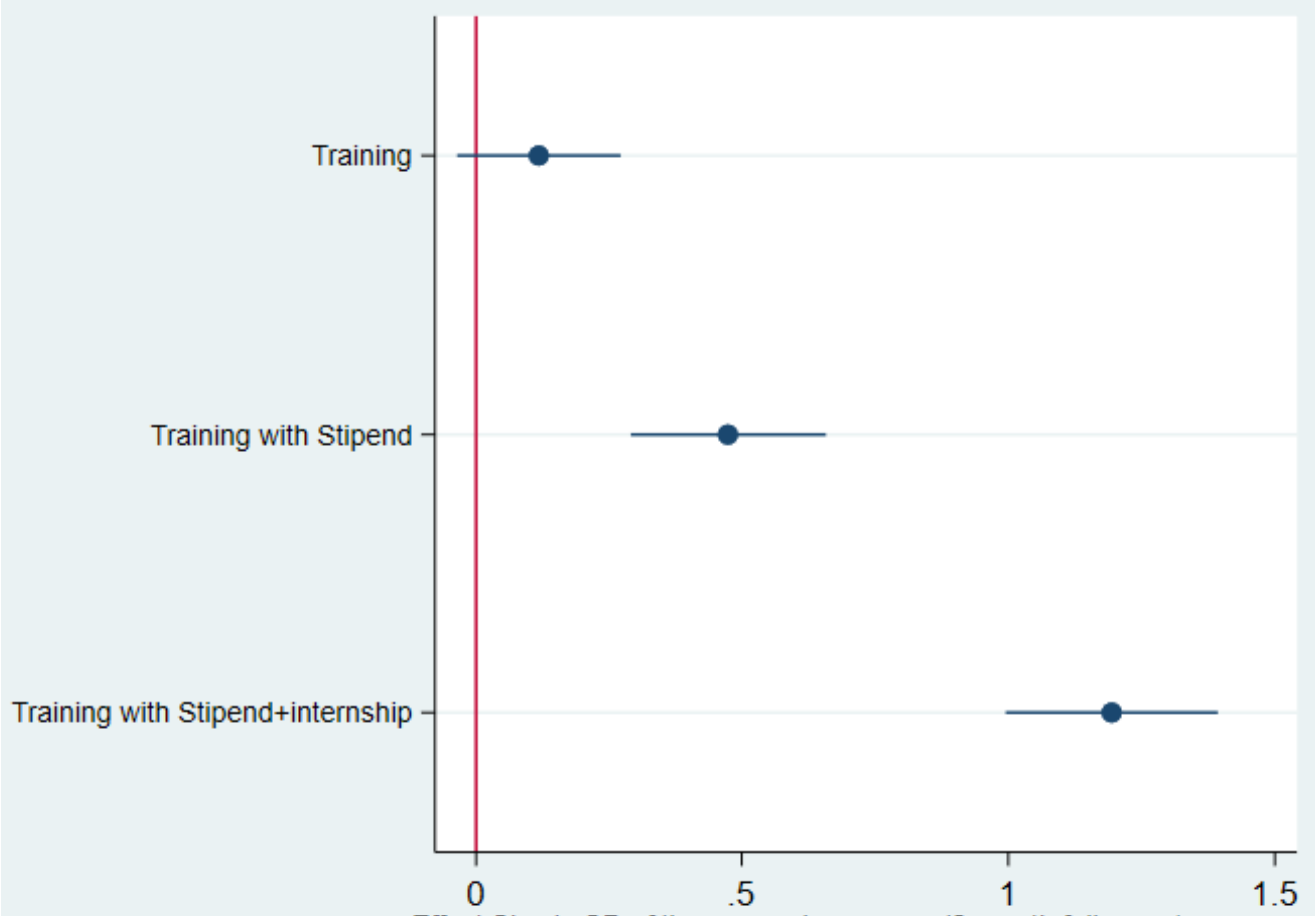


(a) Sample Means



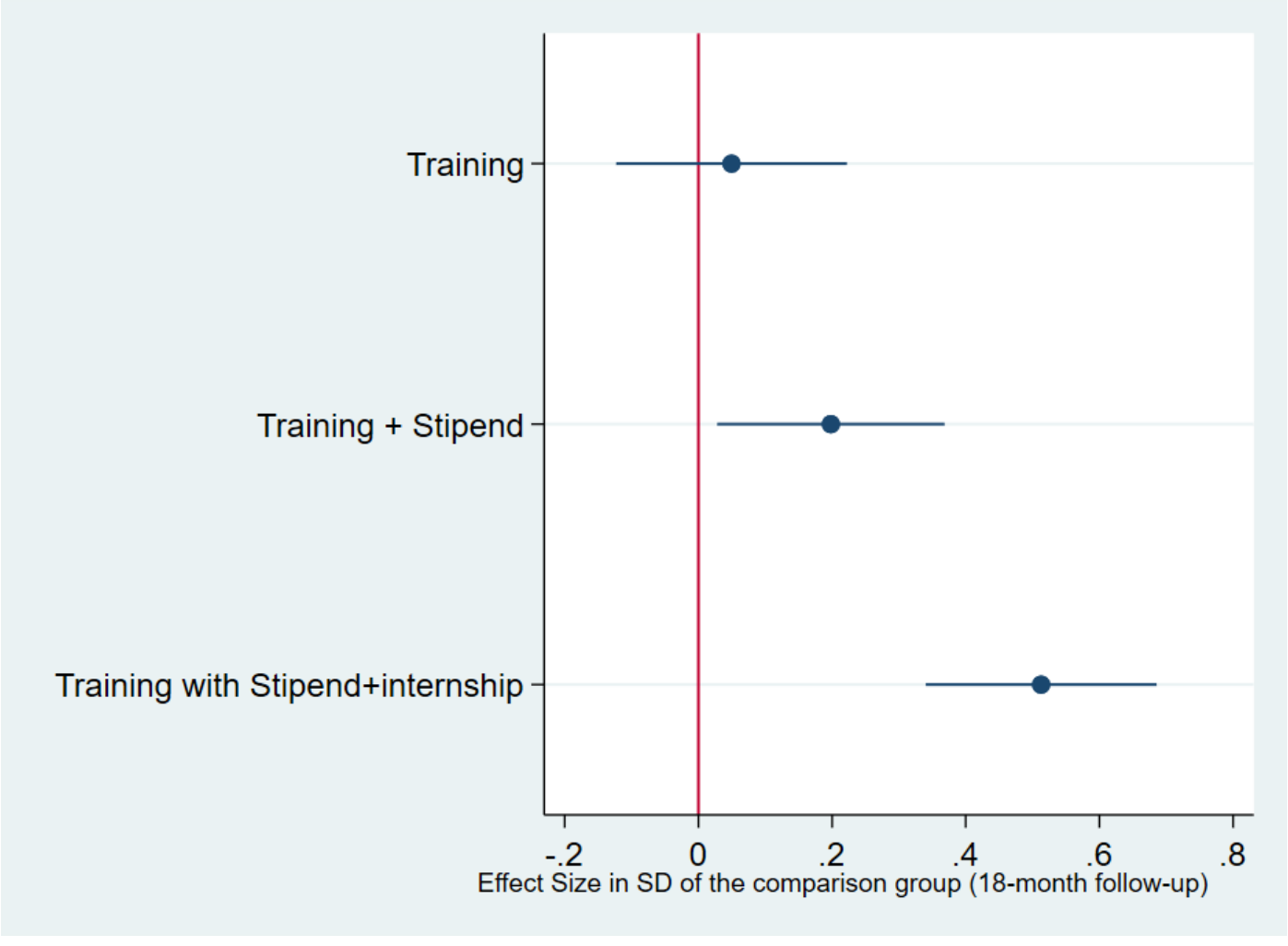
(b)ITT Impact

Employment Index after 6 months



- Standardized from a family of variables (Kling et al., 2007).
- # mth empl, hrs worked past mth, any wage work last 6 mth, weekly wage work hrs last 6 mth.

Employment Index after 18 months



Impact on Origin Household after 12 months

	(1) Dummy: Any Urban labor Income	(2) Total Urban labor income	(3) Months of remittance	(4) Frequency of remittance	(5) Total remittance
(T) [Skill training]	0.025	2497.3	0.208	0.217*	799.5
	(0.021)	(2128.91)	(0.13)	(0.13)	(671.84)
(T+S) [Skill training with Stipend]	0.032*	2797.0	0.43***	0.43***	2768.9***
	(0.0)	(1856.57)	(0.13)	(0.13)	(1024.25)
(T+S+I) [Skill training, stipend plus internship]	0.049**	4901.31**	0.97***	1.02***	2971.97***
	(0.020)	(2177.3)	(0.14)	(0.15)	(773.23)
Observations	2120	2120	2120	2120	2120
Control Mean	0.094	10,123.44	0.428	0.433	2,200.36
R-squared	0.186	0.196	0.227	0.226	0.174
P-value for joint significance	0.051	0.131	0.000	0.000	0.000
Stipend effect: (T+S)-(T) (beta coef.)	0.006	299.7	0.2	0.2	1,969.4
Stipend effect: (T+S)-(T) (p-value)	0.78	0.89	0.09	0.09	0.03
Internship effect: (T+S+I)-(T+S) (beta coef.)	0.02	2,104.26	0.54	0.59	203.05
Internship: (T+S+I)-(T+S) (p-value)	0.43	0.37	0.00	0.00	0.81
Outcome at Baseline	Yes	Yes	Yes	Yes	Yes
Control for Phase and Village	Yes	Yes	Yes	Yes	Yes

Impact on rural origin household's poverty

T4 (T3) reduced Income poverty by 12 (8) percentage points from the base of 53% income poverty

	(1)	(2)	(3)	(4)	(5)	(6)
	Household Per-capita daily measure in (BDT)					
	Total income	Total consumption	Food consumption	Non-food consumption	Income poverty	Consumption poverty
(T) [Skill training]	2.718	-1.621	-0.669	-0.099	-0.044	0.010
	(4.586)	(2.037)	(1.003)	(0.316)	(0.031)	(0.012)
(T+S) [Skill training with Stipend]	8.811**	1.814	0.646	0.203	-0.081**	-0.005
	(4.258)	(2.049)	(1.031)	(0.346)	(0.032)	(0.013)
(T+S+I) [Skill training, stipend plus internship]	9.821**	-1.255	-0.686	-0.024	-0.121***	-0.004
	(4.440)	(2.028)	(1.010)	(0.315)	(0.035)	(0.014)
Observations	2120	2120	2120	2120	2120	2120
Control Mean	66.436	66.615	27.452	8.182	0.537	0.964
R-squared	0.269	0.343	0.330	0.302	0.301	0.171
P-value for joint significance	0.030	0.160	0.330	0.712	0.004	0.456
Stipend effect: (T+S)-(T) (beta coef.)	6.094	3.436	1.315	0.302	-0.036	-0.015
Stipend effect: (T+S)-(T) (p-value)	0.087	0.034	0.087	0.264	0.283	0.220
Internship effect: (T+S+I)-(T+S) (beta coef.)	1.010	-3.069	-1.332	-0.226	-0.040	0.001
Internship: (T+S+I)-(T+S) (p-value)	0.770	0.069	0.110	0.405	0.249	0.943
Outcome at Baseline	Yes	Yes	Yes	Yes	Yes	Yes
Control for Phase and Village	Yes	Yes	Yes	Yes	Yes	Yes

Key Points

- Impact is largely driven by male sample.
- Females face non-economic social barriers for training participation and migration.
- How can we help females to overcome such social norm-related barriers?
- **Maybe through the aspiration of role models and better information for parents?**

Fully Subsidized Skill Training RCT for Female

- Can local role models influence fully subsidized skill training participation and job success?
  - With the added layer of parental involvement
- Preliminary Findings for Skill Training:
  - Positive impact when girls attend Role Model session alone.
  - But null effect when parents join the session with girls.
- However, no impact on migration and work participation.
- Why?
  - Traditional gender role for female.
  - Negative marriage and dowry consequences.
  - Migration is a bottleneck (Bryan et al. 2014)
- **What about virtual migration?**

Online Freelancing

Market size for freelance platforms is USD 3.9 billion and is projected to reach USD 14.08 billion by 2033

Virtual Migration Through Online Work

- Online Gig-work and Freelancing
  - Advantage of earning international market wage and foreign currency.
  - Particularly suitable for females (no need to physically migrate)
- Randomized a sample of HSC educated youth into either
  - T1: a fully-financed training program to learn computer-based graphics design and exposure to online-based freelancing platforms, and
  - T2: the same training program above coupled with a three-month paid internship.
- Large and significant impacts of the intervention on
  - Training program attendance and completion.
  - Complementary investments in IT equipment and services.

Income effect after a year

Preliminary

Table 5: INCOME

	(1) Income: any	(2) Income: IT	(3) Income: hours	(4) Income: all	(5) Income: IT	(6) Income: any	(7) Income: IT	(8) Income: hours	(9) Income: all	(10) Income: IT
Assigment	0.11**	0.11***	1.94	906.88	898.07*					
	(0.05)	(0.03)	(2.31)	(848.71)	(520.18)					
Assigment: training						0.12**	0.07**	2.78	713.13	891.14
						(0.05)	(0.03)	(2.72)	(947.28)	(583.03)
Assigment: training + internship						0.11**	0.14***	1.06	1107.65	905.25
						(0.05)	(0.04)	(2.55)	(1032.32)	(622.17)
Observations	911	911	911	911	911	911	911	911	911	911
Control mean	0.48	0.10	17.46	5206.89	1468.72	0.48	0.10	17.46	5206.89	1468.72
Test: Training = Training + Internship						0.788	0.120	0.503	0.699	0.981

Note: *** p<0.001, ** p<0.05, * p<0.10.

Concluding Remarks

- A potentially promising development policy would be to exploit labor market opportunities for the poor
  - Existing active labor market policies have been largely unsuccessful.
  - Most of them are focused on either wage subsidies or vocational training.
- This series of research shows that a vocational training program can be successful if provided
  - Support for liquidity constraints faced by the poor
  - Assistance for job linkage through internship (reducing the risk of migration)
  - Could be a cost-effective and viable anti-poverty scheme for the poor youth.

Thank you!
Questions and comments are welcome!

Mechanism: OJT reducing the job search cost?

Treatment	Job Employment Sector (in percentage)					
	RMG	**Textile**	**Other Factory**	**Service**	**Others**	**Total**
Control (C)	2.31	4.35	0.00	11.11	0.00	2.96
Information (T1)	8.85	14.49	16.67	11.11	42.86	11.02
Training (T2)	14.23	13.04	16.67	16.67	0.00	13.98
Stipend (T3)	25.00	21.74	27.78	16.67	42.86	24.46
Internship (T4)	49.62	46.38	38.89	44.44	14.29	47.58
Total	100.0	100.0	100.0	100.0	100.0	100.0

- Internship helps participants set foot in a manufacturing firm (Hardy and McCasland, 2017).
- We also find that the impacts on risk-averse people tend to be greater for T3 and T4 arms.