

Pain of migration

Insights into the impact of urban migration on the broad well-being outcomes of the households

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Philoedita Putri, G. (2023). Pain of migration. Insights into the impact of urban migration on the broad well-being outcomes of the households. *Public Note*, 10(2), 32-38.

Abstract

The panacea proposed for Jakarta's environmental deterioration involves relocating the capital to a new city to be built in East Kalimantan. Despite garnering parliamentary support, a survey revealed great reluctance of citizens to move to the new capital. This resistance of urban migration is growing globally. To facilitate policymakers in constructing an urban environment conducive to improving migrant well-being, this paper focuses on understanding the impact of urban migration decisions on household well-being outcomes by studying Indonesian Family Life Survey data. The analysis extends existing literature by stratifying between rural-originating and urban-originating households and employing triple-difference estimation to evaluate the impact on objective and subjective well-being. Adopting the triple-difference method exposes the negative impact of urban migration on well-being, which the commonly adopted difference-in-difference estimation underestimates. This is argued to be due to unmet rising expectations of migrants resulting from labour market stickiness, futile attempts at enterprise, high urban living costs, and social repercussions.

Evidence for practice

- This paper calls to attention the vast disparity between areas within Indonesia such that households decide to migrate in the first place. Although the country has been making substantial improvements in both urban services and infrastructure in numerous towns, it is unclear whether these facilities are providing the level of quality migrants are expecting.
- The findings of this study expose the urgency of investigating Indonesia's assistance in the processes of urban migration. By streamlining the process and communicating it more effectively, households will have a much better understanding of the costs and rewards of migration. Additionally, effective social safety nets, consisting of both public assistance and market insurance, would reduce dependence on social networks.
- However, the best means to help migrants is to ease their integration. Offering housing assistance in the form of rent subsidies, pre-migration matching to a job, help with childcare arrangements, and schemes generating a general feeling of welcomeness would enable the migrant to quickly feel more at home in their new community.

Keywords: urban migration, well-being, difference-in-difference, triple-difference

Introduction

Indonesia's current president, Joko Widodo, has announced his plan to relocate the capital from Jakarta to a new city to be built in the province of East Kalimantan, named Nusantara (Ramadhan and Aida, 2022). The main reasons are to promote development in outer islands and to ease the environmental degradation pressures on Jakarta. A 2019 survey distributed among central government staff showed that 94.7% rejected the capital relocation plan due to their fear of low-quality health and education facilities, and salaries insufficient to sustain living in the new capital (JawaPos, 2019). The reluctance of urban migration can also be seen in other countries, even with the promise of higher wages in these urban areas. The average family of slum dwellers in Delhi, many of whom migrated from Bihar and Uttar Pradesh, lived on slightly over \$2 a day (at PPP), which is much higher than the bottom 30% in these two states, as they live on less than \$1 a day (Banerjee and Duflo, 2019). Yet, many of the poor decided to stay. Consequently, it is crucial to assess the benefits of migration on the households and determine if these effects are in actuality, overestimated. Therefore, this paper aims to assist policymakers by detailing an environment conducive for improving the well-being of migrant households. Accordingly, the research question is: How does the urban migration decision impact household well-being, as evaluated through their objective and subjective dimensions?

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Method

This paper employs micro-data ²from the third (2000), fourth (2007), and fifth (2014) waves of the Indonesian Family Life Survey (IFLS). A migrant household is defined as one in which the head has lived outside the community for longer than six months during the period of 2007-2014. The sample will include only those with voluntary migration streams and reported not migrating to an urban area before 2007. Estimations will be conducted separately between rural-originating households (ROHs) and urban-originating households (UOHs). Difference-in-difference (DID) and triple-difference (TD) methods will be employed³. DID estimation involves subtracting the difference in average outcome value in the non-urban migrants between the fourth and fifth waves, from the respective difference in the urban migrants. To improve upon this, I will use both the third and fourth waves to conduct triple-difference estimation such that different untreated time trends between the treated and control groups can be controlled for. In TD estimation, the DID outcome observed for the third and fourth waves is subtracted from that observed for the fourth and fifth waves.

Results

The results⁴ from using TD show that the DID method underestimates the negative impact of urban migration on household well-being for both sets of households, with especially significant effects on those originating from urban areas, as visualised in Figure 1. Migrating UOHs earned significantly less than those that did not, and have lower satisfaction with their health conditions, living standards, and life as a whole.

² More information on the variables used can be found in the online appendix.

³ More information on the employed method of DID and TD can be found in the online appendix.

⁴ The most important results of the analysis are highlighted in the article. The rest of the results can be found in the online appendix.

Figure 1: Overview of impact of urban migration on well-being outcomes.

| | Rural-originating | | Urban-originating | |
|---------------------------------------|-------------------|----|-------------------|----|
| | DID | TD | DID | TD |
| <i>Objective well-being outcomes</i> | | | | |
| Income | + | | | - |
| Total consumption | ++ | + | +++ | |
| Leisure spending | ++ | + | ++ | |
| Spending on education | - | - | +++ | + |
| Rent | + | + | | - |
| <i>Subjective well-being outcomes</i> | | | | |
| Life satisfaction | - | | - | - |
| Food consumption | | | + | |
| Health conditions | + | + | + | - |
| Living standards | | + | | -- |

Figure 2: Type of employment for rural-originating households in IFLS Waves 4 and 5.

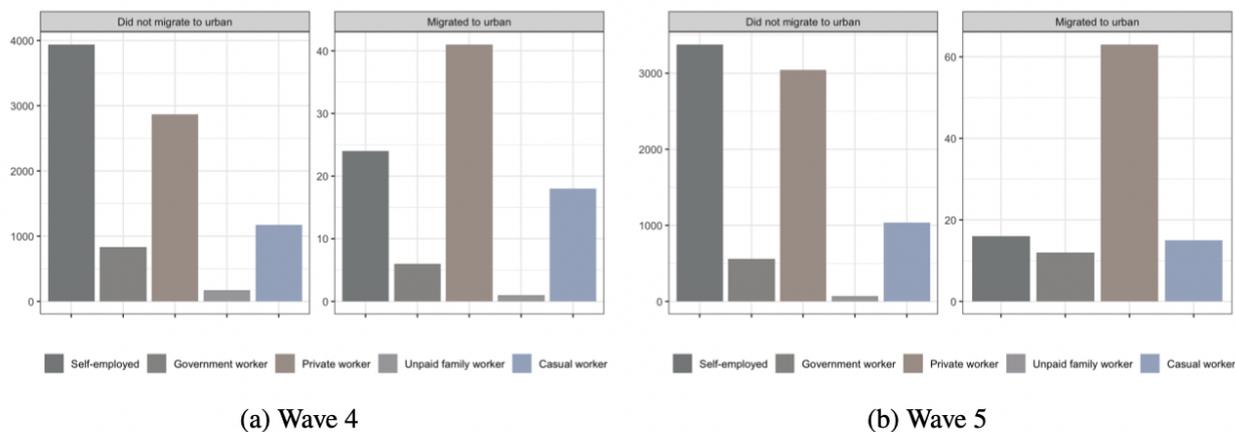
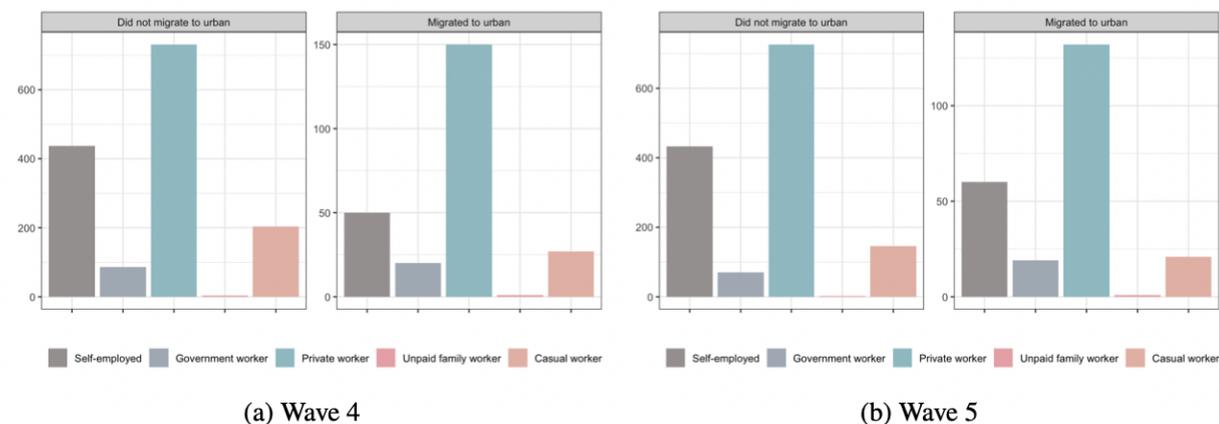


Figure 3: Type of employment for urban-originating households in IFLS Waves 4 and 5.



Discussion

Why are the effects of urban migration not as positive as theory seems to predict? Firstly, as shown in Figures 2 and 3, there may be migrants who did not manage to find formal employment, despite being willing to work at lower wages. This reflects the fundamental workings of labour markets. The relationship with a worker lasts long, as even with less stringent laws, firing remains unpleasant. Judging the quality of a potential worker is also difficult. Firms refuse to hire just about anyone willing to work for them and may rely on inefficient and extensive hiring processes⁵. Moreover, firms may be unwilling to pay lower wages, as they worry that the low wage is too close to the efficiency wage, and that employee morale will be lowered due to wage differences in the workplace (Shapiro and Stiglitz, 2008; Breza et al., 2018).

Secondly, households who chose the alternative of establishing their own businesses may be reaping insufficient profits. Although studies have found the poor to have entrepreneurial talent allowing them to acquire high initial gains from their enterprises⁶, their long-term performance often seems dull in comparison. In Indonesia, only two-thirds of businesses of the poor survive five years and usually employ only one worker (Banerjee and Duflo, 2007). As theory suggests that these businesses have high marginal returns, the question remains why they are not expanding. The returns may be steep initially, yet quickly diminish without further large investment into more efficient production technologies.

Thirdly, even with employment, migrants' expectations of better living conditions may not be met. For instance, housing costs may be too high. This is especially the case for developing countries due to their lack of infrastructure (Hub, 2017; Kaul, 2020). Additionally, due to the high costs of private health and education facilities, migrants may have to turn to public facilities which are not too dissimilar from those in their origin and were what they were fleeing from in the first place or sacrifice spending in other areas.

Fourthly, there are significant social repercussions as migrants must adapt to a new environment, develop new life patterns, and build new social contracts (Heniks, 2018). This may be even more difficult for those from rural areas due to the stark contrast between their origins and the city. In addition, due to not being the dominant race, the migrant often becomes a member of the out-group (Portes, 1998; Putnam, 1901). Discrimination against certain ethnicities, especially those prominent in rural areas, remain prevalent in Indonesia (Siahaan et al., 2021). Moreover, the overly positive stories told by previous migrants unwilling to admit their disappointing realities could cause expectations of migrants to rise (Mahler, 1995; Sayad et al., 2018). Their expectations also improve due to the change of a single frame of reference to a dual frame of reference, as they compare themselves to natives in the new city alongside those from their origin that did not move (Gokdemir and Dumludag, 2012; Gelatt, 2013; Obucina, 2013). Finally, urban migrants may have sacrificed their own well-being at the expense that their families back home are faring better.

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Conclusion

This paper explored the impacts of urban migration on household well-being to evaluate if its benefits have actually been overestimated. The triple-difference estimates reveal that the results found with the ubiquitous difference-in-difference method have significantly underestimated the negative impacts on both objective and subjective well-being outcomes, with increasingly latent negative effects for households with urban origins. This paper explains these results on the grounds of unmet rising expectations arising from labour market stickiness, futile attempts at enterprise, high urban living costs, and social repercussions, as seen in Figure 4.

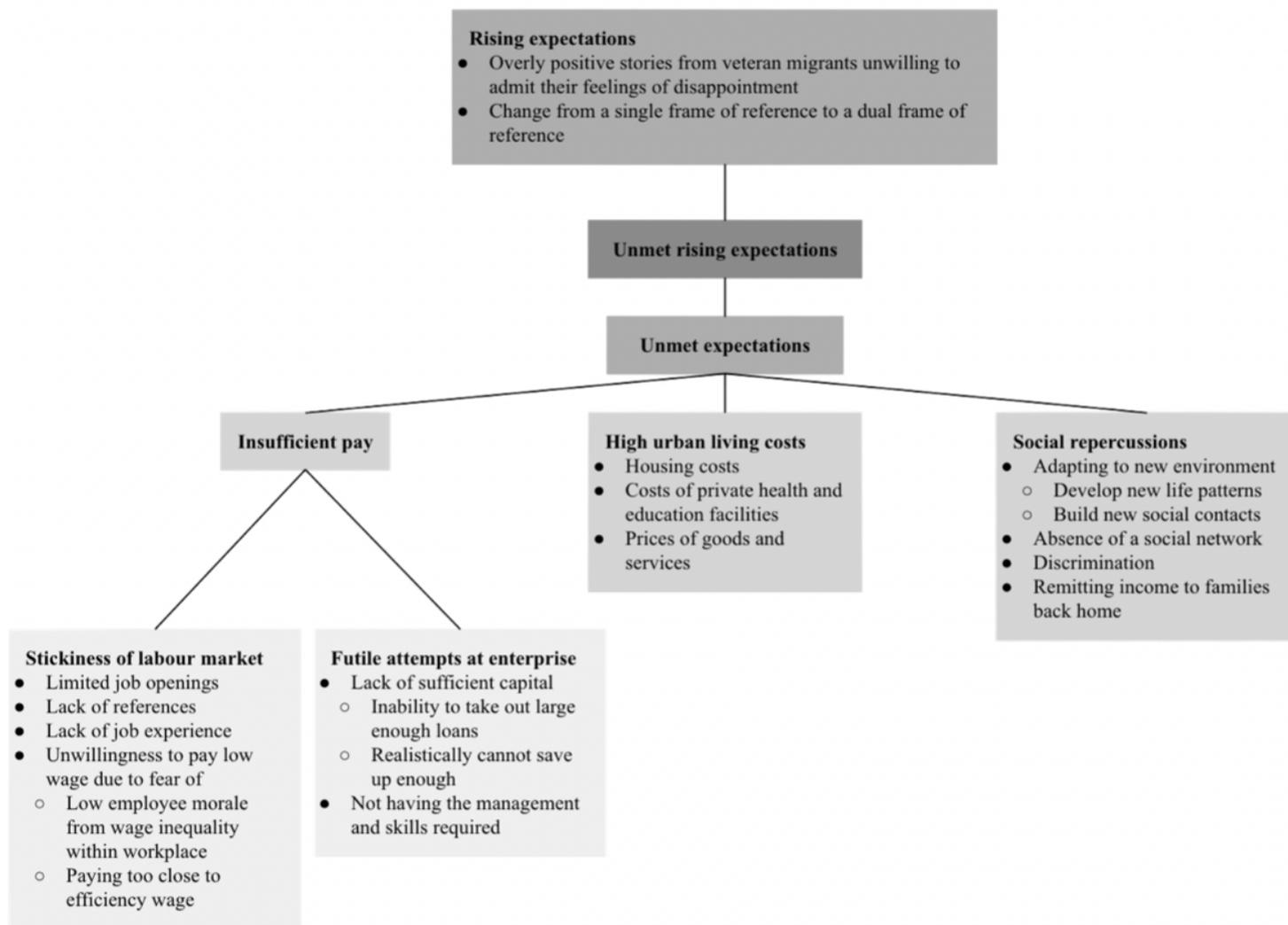
⁵ Studies have found evidence for these hiring behaviours. Out of over three hundred firms researchers approached in Ethiopia, only five were willing to randomise whom they hired despite the jobs requiring no specific skills (Blattman and Dercon, 2018). Another study found that 56% of firms insist on work experience even for blue-collar jobs (Franklin et al., 2020) and that it is relatively common to depend on previous employer referrals (Caria, 2015; Serneels, 2007).

⁶ A project conducted in Sri Lanka gifted a random group of owners of tiny businesses grants worth either 10,000 or 20,000 rupees, equivalent to \$250 and \$500 respectively in PPP, and found the return to be over 60% a year for the average business (de Mel et al., 2008). A similar study conducted in Mexico found even higher returns (McKenzie and Woodru, 2008). Another program in Bangladesh gave an asset along with a small financial allowance to extremely poor households and found an increase in their consumption by up to 10% and them having more positive outlooks on life (Banerjee et al., 2010).

However, there are still many avenues for future research to be conducted on. Due to Indonesia's polarisation of socioeconomic activity, stratifying the decision of urban migration into migrating to Greater-Jakarta and other metropolitan areas should be investigated. The effects of the decision can also be explored on other well-being outcomes, such that a clearer picture for the causal channels can be established. Additionally, the impact should also be evaluated on families of migrants back at their origins.

Stratifying the decision of urban migration into migrating to metropolitan areas should be further investigated.

Figure 4: Overview of reasons for unmet rising expectations



A note from the author

My name is Gabriela Putri and I have just graduated with an undergraduate degree in Economics and Business Economics from Utrecht University. As an Indonesian who grew up abroad, I found that people such as my classmates would often have the wrong impressions about my country. This experience propelled me to conduct research on social interventions, thus preparing me to seek out solutions for my country in my future career. The most pressing issue that Indonesia is currently facing has been its capital relocation plan as a large majority of Jakartans refuse moving to the new capital. This growing resistance of urban migration can be seen growing globally in both developing and developed countries as well, despite the promise of higher wages in these respective urban areas. As such, it is crucial to assess the impact of urban migration on households, to uncover whether or not its benefits have been grossly overestimated.



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