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Labour migration: a developmental path or a low-level trap?

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This article focuses on the debate about the developmental impact of migration on the sending countries. Throughout the post-Second World War period, temporary labour migration has been promoted as a path to development. Remittances have grown to rival or surpass official development assistance and have increased living standards in the sending countries. However, the evidence over time is that the remittances do not lead to development or even to higher incomes that are sustainable without further migration. Some determinedly temporary labour migration schemes offer promise. But where the pattern of migration and remittances locks into a semi-permanent arrangement (the standard line is 'There's nothing more permanent than "temporary" migration'), then this may be a developmental trap for the South whereby, in a semi-permanent '3 Ds Deal', the South forgoes self-development in favour of being a long-range bedroom community to supply the labour for dirty, dangerous, and difficult jobs in the North.

In recent years, migration issues have risen to the top of the policy agenda in industrialised as well as in developing countries. Globalisation has renewed and given new force to an old debate in the development community about the impact of migration on the sending countries or regions. The relationship between international migration and development in the sending country has been variously called 'unsettled' (Papademetriou and Martin 1991) or 'unresolved' (Appleyard 1992). For most of the post-Second World War period, 'temporary' migration was seen as a path to development for the sending country. Migrants could return with the skills and capital necessary to spur development. However, there have long been dissenting voices (e.g. Jacobs 1984) who see these patterns of migration as a trap that tends to forgo development in favour of locking the sending country into a semi-permanent role of supplying labour for the dirty, difficult, and dangerous but comparatively well-paid jobs in the receiving country.

South–North migration in general

South–North migration is migration to a relatively developed region or country ('North') from a relatively undeveloped one ('South'). The economic differential between the sending and receiving ends is the main determinant of such migration. It should not be assumed that push

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factors, such as lack of local jobs, predominate; it is the differential that counts. What are the long-run effects?

- Is out-migration part of an equalising dynamic that will improve conditions (e.g. relieve 'overpopulation') in the sending region?
- Is out-migration a temporary negative factor that might, however, be more than compensated for by the backflow of remittances and skills that will, together with other developmental forces, drive the area from a low to high equilibrium and thus eventually reduce the out-migration?
- Or does the out-migration largely feed and sustain a low-level equilibrium notwithstanding the backflow of remittances and returnees?
- Perhaps a 'happy face' should be put on the whole question by seeing the 'production and export' of unskilled and skilled labour as a comparative advantage of the sending area which might be 'promoted' as an export industry?

These are some of the basic policy questions and perspectives that run through the current policy debates on South–North migration (see Ellerman 2003 for a survey).

'Temporary' labour migration as a permanent way of life

Gastarbeiters or guestworkers from Turkey and the Balkans to post-Second World War Germany or temporary workers from Mexico to the USA as in the 1942–1964 *Bracero* programme were originally seen as potential drivers of development for the sending regions. The workers could learn industrial skills and acquire capital that could then drive development in their home countries. They would see societies with more economic development and with different laws, institutions, and habits of the people:

> *It is hardly possible to overrate the value, in the present low state of human improvement, of placing human beings in contact with persons dissimilar to themselves, and with modes of thought and action unlike those with which they are familiar. ... Such communication has always been, and is peculiarly in the present age, one of the primary sources of progress.* (John Stuart Mill 1899, Volume II, 99–100; Book III, Chapter 17, para. 5)

Remittances and the savings of returnees would provide the capital for a developmental 'lift-off' in the less-developed regions.

None of this was impossible. Yet the migrant worker phenomenon has not, on the whole, driven development in the sending regions. It may be useful to explore some of the reasons.

It has been quipped that 'there is nothing more permanent than "temporary" migration'. Some family members go abroad to work, not as a temporary measure to acquire capital or knowledge but as a career choice that will increase and diversify the income of the whole family. The development strategy of migrants returning home with capital and skills may conflict with the psychology of the migrant worker (e.g. Bovenkerk 1974, 1982). If being a migrant worker is a person's chosen career, coming home to work (before retirement) is to be a failure, implying that the migrant was not being good enough to keep their job or find another in the developed country. It is difficult to build a development strategy on people doing what they, their families, and their peers perceive as being a failure. Much of the speculation about the potential developmental role in the South of remittances and returnees fails to take into account the social and self-perceptions of the 'temporary' labour migrants about their careers.

It *is* compatible with migrants' self-perceptions to complete their 'careers' successfully, to return home, and to ease into semi-retirement by starting a small business such as a shop, café, or boarding-house, but that is far from being an engine of development.

Any rethinking should start with the idea that 'temporary' should mean limited to a fixed total time period of several years. Migrants from Asia to the Gulf States are called 'temporary' because each episode is limited in time and they may not immigrate. But this 'temporary migration' is nevertheless a permanent way of life. There is no sum-of-episodes time limit of a fixed number of years so it is not 'temporary' in the sense of being 'time limited'. That would entail some form of fixed time limitation (like 'term limits' for politicians) so that the temporary job cannot become a 'career'. Such a time limit could change the migrants' expectations. Like a student who receives some education abroad and then returns home for a career at home, a worker would see time-limited migration as the chance to receive an on-the-job education abroad and build up a capital stake with which to return home to make a career.

Migration as meritocratic perpetuation of the North–South divide

Migrants may have unskilled jobs in the host country, but that does not necessarily describe how they are in their home country. The poorest of the poor are not the typical migrants. Usually, migrants have some considerable entrepreneurial drive towards self-betterment (of which their labour migration is testimony), some complement of skills, and some resources in order to finance the trip or trips. Remittances may deepen the rut leading to more migration because the remittances show that 'migration works', they finance other family members' trips, and they show what the neighbours have to do to 'keep up with the Joneses'.

This highlights another way in which labour migration can be detrimental to development. Many of 'the best and the brightest' of the blue-collar workers—not to mention the college-educated 'brain workers'—leave their home region so that their real talents and capabilities are not brought to bear on overcoming the barriers to development at home. It is not just the quantity of labour exiting that counts but also the quality of the labour and human capital, with its corresponding impact on developmental prospects.

This is a variation on the old theme about how a meritocracy works to perpetuate a stratified society. The classic satire about such a society is Michael Young's *The Rise of the Meritocracy* (1962). For the sake of illustrative simplicity we could consider a society divided into two classes, strata, or castes, say an upper class and a lower class—or, more to the point, North and South. The stratification can also be spatialised, with the lower stratum identified with a 'ghetto'.

The 'smart' way to organise such a stratified society is as a meritocracy where the best and brightest from the lower stratum can be recruited without prejudice into the upper stratum. There might also be some social mobility the other way as in various quips about 'rags to riches and back to rags in three generations'. Moreover, that should be the very definition of 'success' for someone born into the lower stratum—that they should capitalise on the opportunities offered by the meritocratic structure to achieve individual success in the sense of ascent 'out of the ghetto' (where their talents would only be wasted) and into the higher stratum or class. Such individual cases of worthy ascent into the upper stratum should be celebrated far and wide as examples to which any ambitious young person of low and unfortunate birth might aspire. And with every success story, those in the upper class might pat themselves on the back for sponsoring a society that allows such social mobility that is based on merit and is blind to the accidents of birth. In this manner, the talents devoted to maintaining the stratification and the privileges of the upper portion of society are constantly renewed by the meritocratic recruitment from below. For example, the mandarin-dominated structure of ancient China was both rather static and long lived, in part, because it operated on such a meritocratic basis.

The problem is that such a dynamic may well be at work in the South–North migration of 'unskilled' as well as skilled migration in today's globalised world. The 'development divide' may be perpetuated by the 'successes' of the best and the brightest from the South making their careers in the North. Indeed, the reader can judge whether some of the migration literature reflects the tone and 'arguments' of the previous paragraph (with upper stratum = 'North' and lower stratum = 'South'). The Gandhis and Martin Luther Kings who go out and then return to lead social change are rare Moses-like exceptions; they are far from being the rule.

Migration as a safety valve for social problems

In the previous section we reviewed the argument that migration provides 'the best and brightest' with an exit option and that their talents were therefore considerably less available, if not unavailable, to any domestic developmental efforts. The flipside of increased exit is that there is decreased voice, or, in more general terms, decreased pressure to break through the barriers to structural change. Hirschman's original example (1970) about exit-voice dynamics started with the conventional wisdom that increased competition to the Nigerian railways from trucking would bring pressure on the railways to reform. However, it had the opposite effect since the 'best and brightest' of the client base—in other words, the discriminating customers who needed to get their goods to a given place at a certain time—exited the railway system and switched their business to trucking. Since the railways could not be just shut down, the state continued to subsidise them, so there was even less pressure to break through the barriers required for difficult reforms in the railway system. Hirschman notes other examples where exit undercuts voice. For instance, Latin American power holders have long encouraged the voluntary exile of political opponents where they would not cause as much trouble (Hirschman 1970:61). This removes the pressure for internal reforms.

There are many ways in which the pressure of problems that demand social change can be relieved without being resolved. One is to discover oil or gas deposits in one's backyard and then to soften the rough edge of pressing problems with the natural resource rents. Another way is to misuse external aid or loans to 'buy time' and postpone real changes—to pay the costs of not changing rather than paying the costs of change (see Stern 2001; both examples given here are in World Bank 2003, Chapter 7).

Migration often seems to work in a similar way as a safety valve to relieve the pressure of a pressing problem rather than to resolve it. When yesterday's elites use their power to lock-in their position and thus to stifle innovation, which can always be threatening, then the economy will stagnate and young people will not be able to find jobs that will use their skills and engage their ambitions. Migration provides the ambitious and skilled with individual exits. It helps to 'export' the unemployment problem. Overall, it relieves the pressure to change the structural barriers to development. It would be ill-advised to think that a whole society can go 'bankrupt' like an individual private company that has stagnated. Unfortunately, history is replete with quite long-lived stagnant societies where the elites have found ways to constantly suppress or bleed off the pressure for change. In the context of the safety-valve argument, remittances amplify the deleterious effect of migration by relieving the pressure of social problems. Many governments in developing countries have now discovered the 'oil-well of remittances' that might help them to paper over problems and pay the costs of not changing.

All this does not deny the fact (which Hirschman also notes) that exit *can* in itself be a form of voice independent of any bankruptcy mechanism. National pride cannot be long sustained if young people seek to obtain college degrees largely as exit visas. This is why the deleterious effects of migration (exit of the best and brightest, and relieving of pressures for change) operate with greatest force in a country, region, or area with the collective self-image of a ghetto. The out-migration is a key part of the self-perpetuating ghettoisation mechanism, a self-reinforcing low-equilibrium trap. A 'ghetto' will never find collective success as long as the internalised definition of 'success' is individual exit.

Remittances: increasing the developmental impact?

There is an old stylised fact that most remittances are spent on consumption, healthcare, education, land, and the like, but that there is little expenditure or investment in direct productive uses. Jane Jacobs (1984) considers the problems of rural settlements or regions that workers abandon to migrate to jobs in cities. After the Second World War, workers from Turkey, Yugoslavia, and a number of other countries in Southern Europe and North Africa were welcomed into Northern Europe and particularly into West Germany. Their remittances were sizeable—in some countries the single largest source of foreign exchange. Yet when unemployment rose abruptly in Northern Europe (such as in 1974 and 1980), hundreds of thousands of guestworkers lost their jobs and returned to 'the same unemployment and underemployment they had left' (Jacobs 1984:74). The remittances, in the meantime, had not put their home regions on the road to development:

> *Remittances, while they last, do alleviate poverty in abandoned regions, just as any forms of transfer payments from rich to poor regions alleviate poverty while they last. The money buys imports for people and institutions which they would otherwise have to go without, but that is all it does.* (Jacobs 1984:75)

Jacobs tells the story of a small Mexican village, Napizaro, that for 40 years has been dependent on remittances largely from migrant workers in the Los Angeles area:

> *Today Napizaro is as prosperous a settlement as can be found in its entire region. The village's twelve hundred people live, for the most part, in comfortable brick houses with pretty patios and TV antennas. The community has street lights, a modern infirmary, a community center, and a new bull ring named The North Hollywood in honor of the industrial section of Los Angeles, some fifteen hundred miles away, from which this prosperity comes.* (Jacobs 1984:75)

The road between Napizaro and North Hollywood is now well trodden; it has become a way of life. When boys reach working age, they are trained by retired returnees about what to expect in US factories, and other villagers working in Los Angeles help to find them jobs. Over the years, it seems that many men have considered starting their own company at home, having acquired most of the skills necessary. But they have abandoned the idea because their village has seemed too isolated:

> *The skills and experience the men have acquired in Los Angeles are usable only in the context of a city economy with its symbiotic nests of suppliers and its markets, not in this economically barren region. One and the same lack—a vigorous city right in the region—forces the men to find work far away and also makes it impossible for them to start an industrial plant of their own, at home.* (Jacobs 1984:76)

The evidence from the migratory labour experience in south-east Europe is similar. Martin and Straubhaar note this when commenting on studies such as that of Abadan-Unat (1976) about the Turkish experience with *Gastarbeiters*:

> *These studies concluded that Turkish areas of origin were not primed for an economic take off before emigration began, and that remittances and returning migrants*

> *reinforced trends that prevented a take-off rather than fueling the take off for reasons that included ...:*
>
> - *nonproductive use of remittances, e.g., to speculate on real estate or to imitate a successful service such as a delivery service, taxi, or a shop*
> - *the retirement of many migrants, so that skills acquired abroad are not used to promote development*
> - *some distortion of local incentives, as when children do not stay in school because the wage for unskilled work abroad is several times the wage for skilled work at home.*
>
> *In sum, the conclusion of the leading study of the 1970s was that labor emigration is 'cumulative and self-perpetuating' (Abadan-Unat, et al. 1976, p. 384)—migrants leave an area because it is less developed, and remittances and returns reinforce the dependence of the areas on an external labor market.* (Martin and Straubhaar 2001:18)

In depressed and underdeveloped regions, if the pressures of local unemployment and poverty are routinely released by labour migration, then the various barriers to development will probably not be surmounted and the regions will be in a developmental trap. Despite the more recent changes brought about by globalisation, these fundamental dynamics seem unchanged (ESI 2002; Jacoby 2003a, b, c).

Remittances are now receiving great attention in the migration literature (see Athukorala 1993; Massey et al. 1998; Woodruff and Zenteno 2001). There is much concern about the developmental impact of aid transfers from the North to the South, and yet, on the whole, remittances are larger still. Thus the potential developmental role of remittances should be an important topic for policy research and experimentation.

For example, the Multilateral Investment Fund (MIF) of the Inter-American Development Bank (IDB) has studied the issue extensively. During 2002, remittances to the value of US$32 billion were sent to the countries of Latin America and the Caribbean, representing an increase of 17.6 per cent over the previous year. The USA accounted for 78 per cent of the total. In 2002, the amount far exceeded the Official Development Assistance (ODA) received by the region and was only slightly less than foreign direct investment (see www.iadb.org/mif).

In their survey, Lowell and de la Garza (2000) consider four ways of 'leveraging remittances' for development:

1. 'Capturing a Share of the Flow of Remittances': governments might try to intercept a proportion of remittances through duties or levies, or for investment in a national development fund. Aside from some success in Korea, however, this idea seems to have little support as the effect would be to drive remittances into costly informal channels. Alternatively, there might be a voluntary check-off for charitable purposes, but that does not promise much developmental impact.
2. 'Financial Instruments on Remittances': one strategy is to attract more remittances into formal banking deposits which can give migrant families better interest rates as well as improving the domestic banking sector and the national balance of payments. Another strategy is for financial institutions to offer remittance bonds which the families can cash in when they need the money. Or banks might offer foreign currency accounts to reduce the foreign exchange risk borne by the migrant families. However, in the case of the remittance bonds or foreign exchange accounts, the assets might well be invested by the banks in foreign assets—which would seem to defeat the developmental goal of 'capturing the remittances' in the formal banking institutions. And even when the banks invest the remitted funds domestically, there is little likelihood that the investments or loans will be in poor

communities or have a direct (non-trickle-down) effect on the development of the sending communities. As Gunnar Myrdal noted long ago, ‘Studies in many countries have shown how the banking system, if not regulated to act differently, tends to become an instrument for siphoning off the savings from the poorer regions to the richer and more progressive ones where returns on capital are high and secure’ (Myrdal 1957:28).

3 ‘Channelling Individual Migrant Labour Earnings’: the idea is to create incentives for more direct productive investments of remittances. Under this heading might be included microfinance schemes or credit unions, particularly when the latter can make business loans (see ILO 2000). Remittances put into microfinance associations or credit unions could be expected to have more of a local impact on pro-poor development. To encourage migrants to return and start businesses, governments might offer tax breaks on imported equipment, training programmes on skills needed (beyond those acquired by the work abroad), and small enterprise loans.

4 ‘Migrant-sending Government Outreach to Migrant Collectives’: in Latin America the associations or collectives of migrants from a town or even a small region are called ‘hometown associations’ (HTAs). While HTAs may have a political and social role in the host country, they are increasingly serving as a channel for the collective investment of remittances in the home state or town (Martin 2001; World Bank 2002). Ordinarily, however, the funds are expended in various community projects which may help build social capital but may or may not have a local developmental impact, such as retirement homes, community halls, sports fields, and even rodeos and bullrings.

In the Mexican state of Zacatecas, the federal and state governments will each match every dollar donated to local projects by HTAs (a two-for-one match which sometimes becomes three-for-one or ‘3 × 1’ with a municipal match). In 1995, US$600,000 was invested in 56 projects in 34 towns, usually in the form of investments in local public goods or small-scale infrastructure, such as water treatment plants, schools, roads, recreational facilities, parks, and the like:

> *Through this program, more than 400 projects have been completed in eight years in Zacatecas. The total investment made by migrants on those project amounts to around 4.5 million dollars. Of that total, 2.7 million dollars were invested in the last two years.* (World Bank 2002:iii)

In the Mexican state of Guanajuato, the government has a special office to help its migrants form HTAs (*Casas de Guanajuato*) and it has also helped to create a number of small garment factories (*maquiladoras*) when US$60,000 or more is first put up by the local community.

Increased income is not increased development

Overall, the literature on the subject seems too sanguine about the expenditure of remittances, much of which is sterile for developmental purposes (e.g. non-local expenditure on conspicuous consumption). At a recent World Bank conference, Manolo Abella, the head of the ILO’s Migration Programme, voiced some of the scepticism:

> *There is general agreement among observers that by itself labour migration is unlikely to significantly improve the development potential of a sending country. While individual migrants and their families tend to gain from migration (in terms of greater economic security), the same cannot be claimed for the countries, as a whole. There is little evidence to indicate that labour migration and flows of remittances have generated sustained growth ...*

> *Take a look at the variation in recent development performance of major labour-sending countries—Mexico, Turkey, the Philippines, Pakistan, Yemen, Egypt, Morocco, Lesotho, Burkina Faso, Jamaica, etc. Which countries have managed to sustain high rates of economic growth?* (Abella 2002)

In a community now largely dependent on income from migrant remittances, development would mean building local enterprises that did *not* live off remittances directly or indirectly (via the multiplier) so that local jobs could be sustained *without* continuing migration and remittances. While the initial investment funds or even initial sales might come from remittances (a pump-priming effect), the idea is that the products should be largely exported from the community to satisfy demand unrelated to the community's remittances. Remittances could jump-start the local engines of development but should not supply the ongoing fuel.

Temporary labour migration schemes

It would seem that the impact on local development is lost if labour migration continues as a way of life. One strategy to change the expectations would be temporary labour migration schemes that were really temporary—with a 'cap' or 'term limit' on the time spent using the scheme. For instance, during and after the Second World War for two decades, the US *Bracero* programme allowed six-month visas (but was stopped, in part, because of the slippage). Several *Bracero*-like programmes are now being considered in the US Congress.[1] In Europe, temporary agricultural workers in the EU currently have three-month limits per year and construction workers are limited to the duration of the specific project (see Boeri and Brücker 2000). The idea of fixed-time temporary migration schemes is receiving increasing attention as it addresses certain policy goals in both the North and South (e.g. Werner 1996; Gilbreath 2001; Meyers 2002).

> *One potentially Pareto-efficient solution is to institute a system of* temporary *contract employment in the host countries, with various penalties on the migrant and/or his employer to ensure that there is repatriation after a set number of years. In principle, the return migrants would then be in an even better position to contribute to the development of their home economies.* (Rodrik 2001:2)

Since the workers are entering the host country for a fixed period (perhaps in a special visa category), there are no immigration implications; and since they are not accompanied by their families, there are virtually no social implications for the receiving country. The goals of this sort of arrangement are to acquire a 'nest-egg' of earnings, which can then be used on return perhaps to capitalise a small business—as well as learning new skills and new ways of doing business which can be applied in the home country. In some cases, the host company may decide to help guestworkers to set up a subcontracting operation in their home country to produce a low-end product that the guestworkers learned to produce while they worked at the company.

From the viewpoint of the home country, the regularisation of this sort of scheme would help to reset psychological expectations so that work abroad was seen as a path to local development rather than an escape from local underdevelopment. Regularisation itself would also help to take business away from the smugglers and traffickers who prosper with ever tighter restrictions on labour migration. Lant Pritchett has argued (2002) that temporary schemes offer perhaps the best way to reap the development potential of migrant labour (such as remittances, increased skills, trade and business linkages, and a broadened view of alternative ways of doing things) in a way that is politically feasible in view of stiffening political resistance to unskilled immigration in many countries in the North.

Example: the Moldova–Slovenia temporary labour scheme

The idea of a temporary labour scheme will be illustrated with an example that grew somewhat spontaneously out of a World Bank project. In Moldova, the poorest of the former Soviet republics, a rather successful restructuring agency, ARIA, was set up with the help of a Bank loan for private-sector development (Ellerman and Kreacic 2002). Part of the programme was for managers and skilled blue-collar workers to spend some time working in enterprises in more advanced countries. It is important in such schemes that the latter countries not be too advanced, otherwise the experience will have little applicability back home. In the case of Moldova, this meant selecting a country not in the West but in the 'near West' of Central Europe such as Hungary, Poland, or Slovenia.

In the case of Slovenia, ARIA had benefited from consulting services from a Slovene organisation with restructuring experience. Out of that relationship, a temporary labour migration scheme emerged that proved to be commercially viable. Groups of skilled blue-collar workers would be selected in Moldova according to certain criteria, and then financed by their companies on six-month placements working in Slovene companies and living together in apartments. The workers would be paid at minimum Slovene rates—which were over five times their usual wages. At the end of the six months they would have acquired not only industrial and technical skills but also some savings. Some workers would buy a cheap used car in Slovenia and then drive home to Moldova. Others would use their savings for investments in Moldova.

Another consequence of the programme was some degree of subcontracting and investment of Slovene companies back into Moldova. Some workers came for several six-month periods. Eventually the Slovene hosts realised that they could subcontract some of the low-end items to be produced in Moldova by the workers they had trained—perhaps with some special machinery supplied from Slovenia. Thus the 'trade' in the form of temporary fixed-term migration led to trade in goods and eventually to capital investment. Worker placements were so successful for both parties that a company was formed in Slovenia to run the programme entirely on a private basis.

Return migration and spin-offs in rural towns

It was noted previously that when migration is seen essentially as a career, then return migration before retirement may be seen as a sign of failure. This may be why various host country programmes sponsoring return migration (such as low-interest loans to start a company back in the home country; see Lowell and de la Garza 2000; Weil 2001; Martin and Straubhaar 2001) have not been a great success so far. However, there are some examples, not usually associated with the migration literature, where return migration has played an important role in non-farm rural development. In contrast to the Guanajuato example, where continuing migrants are partly funding enterprises in their home regions, the focus in this section is on enterprises set up by returning migrants which may be spin-offs or subcontracting to the firms that employed the workers as migrants.

One of the most remarkable growth episodes in recent history has been due to the rise of the township–village enterprises (TVEs) in China over the last 20 years. It might be useful to look briefly at their origins. TVEs did not drop from heaven as soon as conditions were liberalised in the early 1980s. One source can be traced back to the immediate post-revolutionary period.

To escape the fighting during the Civil War, many peasants migrated to the industrial cities, principally Shanghai. Years later, after the Revolution, they returned to their villages hoping to get land ownership. But their years of industrial work in the cities left them ill-suited to work the land—which was collectivised anyway—so many of these former peasants started small off-farm workshops to apply their industrial skills, particularly in the region around Shanghai (Jiangsu Province).

In the decades that followed, large-scale political movements swept over China: the Great Leap Forward, the Cultural Revolution, and the Sino-Soviet Split. All these movements had the effect of pushing to decentralise and deconcentrate industry from the cities to the countryside. The initial successes around Shanghai provided some models but, on the whole, the state-directed efforts were not very successful. Yet the failures in the collective-brigade enterprises were instructive. When the agricultural reforms got underway in the late 1970s, they provided both the demand and the workers for an 'educated' rebirth of the commune-brigade enterprises as TVEs. As the cellular structure of the economy left over from the Maoist experiments broke down, TVEs could also reap the benefits of trade and specialisation.

The evolution of TVEs was historically specific so policy lessons cannot be drawn directly. But it is nevertheless instructive and it corroborates a fundamental point emphasised by Jane Jacobs based on Western experience. Rural development starts in the cities; 'city economies create new kinds of work for the rural world, and by doing so also invent and reinvent new rural economies' (Jacobs 1969:39). Rural development schemes should therefore focus on urban–rural linkages, which include 'imports' into rural areas of industrial skills and inputs for production as well as 'exports' back to urban areas if the rural off-farm firms are to grow beyond micro-shops servicing local needs.

Throughout the South, people are leaving rural areas and migrating to mega-cities in search of jobs. But the older industrial model of large urban factories engaged in mass production is now being replaced with another model favouring more decentralisation and rural development:

> *This new system of subcontracting with a large number of small, decentralized workshops* (maquilas) *and household units is well adapted to the 1990s' environment of market uncertainties and the tremendous growth during the 1980s of the informal economy ...*
>
> *Wood products, textiles and clothing, and shoes and leather goods are commonly produced under subcontract by such enterprises. The shoe industries around Nova Hamburgo in Brazil (Sabel (1986)) and León in Mexico (de Janvry and others 1989) are organized on that basis, with many subcontracting workshops and households located in the surrounding rural areas.*
>
> *Support to these enterprises in the form of credit, infrastructure, simple technology, and the development of skills may be one of the most effective ways of promoting the revival of competitive industries and their location in rural areas.* (de Janvry and Sadoulet 1993:269)

The Chinese experience with TVEs also suggests that such a programme spurs rural off-farm development and helps to alleviate urban congestion. Middle managers and groups of workers from a certain region could be encouraged to spin off some of the older machinery and set up a subcontracting operation in their home region or town. The subcontracting work would help get it going, but it could also diversify into other niches to foster local development. At present, urban factories have little incentive to encourage such schemes. As long as workers show up for work, urban factories do not bear the costs of urban congestion or rural decay. Public action might spur some return migration but might also, more importantly, reduce migration flows to the mega-cities as some rural industry took root in the countryside.

Increased income versus increased development: the '3 Ds Deal'

The debate about migration and development may also bring to the surface basic differences about the goals of development assistance. Some see the goal of development assistance as 'putting resources in the hands of the poor'—a certain kind of 'poverty reduction'. They see 'increased income' and 'increased living standards' as being 'development'. Others see increased income for the poor as a worthy goal, but not as 'development'. Indeed, depending on how it is done, 'poverty reduction' (for instance, in the form of long-term charitable relief) may even be inimical to development. They see development in a country or region as being based on developing and diversifying the skills and capabilities of the people living there so that they can earn the 'increased income' as their value-added (as opposed to mere extraction of natural resources) in an autonomous and sustainable way (see Nussbaum 2000).

A question might help to frame the issue. Suppose a poor and undeveloped country discovers a large deposit of oil and gas so that the average income is increased substantially and living standards are improved. By itself, is that development?

Now reframe the question replacing 'large deposit of oil and gas' with 'long-term South–North unskilled migration' with the ensuing flow of remittances back to the sending country. That, by itself, reduces poverty, increases incomes, and improves living standards—so why not take that, by itself, as one form of successful development?

Another approach focuses on expanding the notion of 'bedroom community'. Some ask why the jobs should be in the same physical region as the family homes in today's world of globalised transportation and communication. We do not say that a suburban bedroom community is 'underdeveloped' because it contains no internal sources of income since the jobs are in the nearby city. Why should our judgement be different, it is asked, when the bedroom community is hundreds or thousands of miles away and in a different country? This aspect of the debate raises gender aspects of migration, which are beyond the scope of the present essay (see Chant 1993; Anthias and Lazaridis 2000; Willis and Yeoh 2000; Kofman et al. 2001; Sharpe 2001). But in view of the impact on gender roles and family life, the 'long-distance-bedroom-community' argument seems to be more of an exercise in desperation (to put a 'happy face' on the phenomenon) than a plausible public policy argument.

A 'deal'—some would say a 'devil's deal'—is being proposed between North and South. In the developed North, many jobs, described by the three Ds—dirty, difficult, and dangerous—are not being filled by native workers (at the going wages). For unskilled migrants from the South, these jobs would pay many times over (perhaps over four times more) what they could make in their home country. Hence there is a deal to be struck. The North will be the primary site of development in the sense of jobs, including the low-end jobs that native workers don't want to fill. The South will be a kind of long-distance bedroom community furnishing workers for these jobs. This arrangement will satisfy many of the conventional criteria for development in the South, namely 'increased income', 'poverty reduction', and 'improvements in living standards'.

Underlying the debate about 'migration and development', however, there seems to be a subterranean fault-line concerning this '3 Ds Deal' between North and South. Usually the deal is not stated in such bald terms—euphemisms, blinkered vision, and Pollyanna scenarios abound. Some supporters of the '3 Ds Deal' emphasise the benefits to governments in the South; they can export their unemployment problems and import the hard currency to relieve their balance of payments and other pressing problems. Some keep their eyes riveted on the unquestioned improvement in living standards of the individual temporary migrants and their families, and ignore the lock-in to a pattern of economically sterile bedroom communities in the South. Moreover, acknowledging these untoward backwash effects of migration seems to put one uncomfortably close to those in the industrialised countries who oppose immigration for ethnic or nativist reasons. Some ignore decades of evidence about the migrant-remittance-led developmental trap in order to embellish the lingering hope that these patterns ‘could’ lead to real development in the South. Others cut that Gordian knot and in effect redefine ‘development’ in terms of ‘poverty reduction’ and ‘improvements in living standards’—some even questioning why ‘bedroom communities’ should, in a globalised world, be near to the jobs.

This debate, implicit or explicit, over the ‘3 Ds Deal’ is fundamental to policy questions in the field of migration and development.

Note

1. In January 2004, President George W. Bush outlined an ambitious temporary workers’ programme which seemed to be aimed at Latino voters but which was later de-emphasised, if not dropped, under criticism from conservatives. Latinos were also critical of the plan since it did not offer a legal path to permanent residency and thus those who were already illegally resident in the USA would have little incentive to make themselves visible to the system. From the development viewpoint, the Bush proposal had a cap of six years (much too long for a ‘temporary’ programme) and there was no connection to the idea of taking temporary leave from a job in the sending country in order to acquire skills or capital abroad.

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