Defining the New Economics of Labor Migration Theory Boundaries: A Sociological-Level Analysis of International Migration

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Abstract
Appeared among the theories explaining international labor migration only by the end of the former century, the new economics of labor migration questions some of the ideas and principles considered in the creation of the neoclassic theory, either by arguing against them, or by simply completing them. The starting point of this new approach is being represented by the idea that the emigration decision is not being made at an individual level, but rather along important human groups, such as families or households. The members of this groups act in common, not only to maximize their incomes, but also to minimize their risks and overcome limitations occurred as a consequence of the failures of the national markets, not necessarily in the labor market. This paper explains the main ideas on which this theory is based and makes a current analysis on whether this ideas are still accurate and have the capacity to explain the evolution of contemporary international migration.

Keywords: migration, theory, labor, economics, communities

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Most of the developed countries of the world currently have diverse, multiethnic societies and the emergence of international migration as a basic structural feature of most of the industrialized states confirms the strength and coherence of the forces that form its foundation. Despite this, the theoretical base for understanding these forces is not adapted to the current dimension of this phenomenon. Therefore, the amazing growth of migration in the latest years has surprised the citizens, officials as well as researchers, and when it comes to international migration, the current analysis remains tied in the concepts, models and premises of the 19th century (Massey et al., 1998: 432).

Starting from the general and particular causes that generate population mobility in the territory, one can get the following overview of the migration phenomenon.

On the one hand, we can discuss about individual migration, determined primarily by economic factors. Depending on their range, the period of travel and means of travel, they are subdivided into seasonal migration and final long-distance travel. They can often become final (forced migration, limited-range free migration, industrial or agricultural migration). The most common form of migration of this type is known as rural exodus, primarily aimed at movements within countries. There are also known periodic movements unrelated to the type of work – the type of tourism and pilgrimage type (Porumbescu, 2012: 273). On the other hand, we can discuss about conducted migration organized in groups, which can be final (warlike migrations – some of the great invasion, colonization – migrations of hunters, livestock farmers, farmers after exhausting their land). They can also be rhythmic; the ones that took place in a defined space (pastoral nomads, nomadic fisherman, hunter, picker, farmer with seasonal rhythm) or have a seminomadic character – agricultural and pastoral life in the mountains or so. Such movements are determined by a way of life, shaped for centuries to come.

Currently there does not exist one single coherent theory regarding international migration, but a group of theories, that developed isolated, sometimes being limited by the differences among the areas of study (Anghel and Horvath, 2009: 29). The contemporary migration tendencies suggest, however, that one common understanding of the contemporary migration processes will not be reached, by using the tools provided by one single field, or by focusing on just one level of analysis (Buzărnescu, 1995: 204). Their complex nature requires, more likely, a complex theory that will embody a variety of perspectives, levels of study and hypotheses.

In order to explain what triggers international migration, a series of theoretical models were designed, and, although eventually each of them attempts to explain the same thing, they start from radically different concepts, hypotheses and frames of reference. The neoclassic economical theory is focused mainly on the wage differences between states reported on the costs of migration, and explains, most of the times, migration as an individual decision to maximize the incomes. On the other hand, the new economy of migration theory, considers the conditionings in a wide variety of markets, not just workforce (Badie and Withol, 1993: 107). This theory regards migration as a family decision, aiming at minimizing the risks and overcoming temporary financial constrains. The dual work market theory and the global systems theory ignore, in general, the processes of adopting the decision to migrate on a micro level, focusing, in return, on the forces that act on a larger scale. The first theory mentioned links immigration to the structural requirements of the modern industrial economies, while the latter sees immigration as a natural consequence of the economic globalization and vanish of the national borders under the pressure of the international markets.
Massey argues that, considering the fact that the theories regarding migration conceptualize causal processes on very different levels of analysis – individual, family, national, international – one cannot presume, beforehand, that they are not compatible (Massey et al., 1998: 433). Even more, it is very likely that the individuals act to maximize their income, while their families reduce the risks, all these in the context in which both decisions are being determined by structural forces that operate on a national and international level. Despite all these, different models reflect different research objectives, interests and methods to de-compose one very elaborate subject in parts that can be easier analysed. Therefore, we can consider that the only right way to confirm the consistence of these theories is that the logic, the hypothesis and the arguments of each of them are clearly specified and very properly understood. Some authors distinguish theoretical approaches of international migration into two categories: theoretical approaches explaining the initiation of migration and theoretical approaches explaining the continuation of migration (Massey et al., 1993: 430). In this theoretical overview a similar distinction is also made. Neoclassical economic theory, dual labor market theory, the new economics of labor migration, and world systems theory try to explain the initiation of migration.

An example of an indicator that causes an international migration flow between two countries is wage difference between these two countries. It is a mistake to assume that the initiation of international migration flows (i.e. a wage difference) acts only in a short space of time. Wage differences between countries may persist for decades. This initiation of migration may instigate international labor flows that persist as long as these wage differences continue. International migration itself may even exacerbate the initiation. Income inequality, for instance, may initiate migration from a country. Subsequently, if remittances or return migration cause increased inequality in the sending society, emigration leads to more emigration.

Network theory and institutional theory attempt to explain the course of international migration flows over time. These theories try to clarify, for instance, why international migration flows may increase if the initial incentive to migrate has diminished. However, international migration flows on a large scale and in a disproportionate direction cannot persist, at least not over the long term, solely on the basis of mechanisms identified in the theoretical explanations for the course of international migration flows over time. At least one of the mechanisms described in the theoretical approaches that try to explain the initiation of migration or physical danger in the sending country have to be involved, too.

The comparison between Turkish and Italian chain and return migration after labor migration to and from Germany is illustrative. Economic prosperity in Germany was considerably higher than in Turkey and Italy. This induced many Turkish and Italian workers to migrate to Germany. The Anwerbestopp of 1974 ended the labor migration from Turkey and Italy to Germany. Since 1974 migration flows between Turkey and Germany have been much more disproportionate (more migration from Turkey to Germany than the other way around) than migration flows between Italy and Germany. This difference cannot be accounted for by employing theories explaining the course of international migration over time. The main reason lies in the extent to which the initial cause of (labor) migration to Germany prevailed in Italy and Turkey after 1974. Italy largely reduced its economic backwardness vis-a-vis Germany in the 1970s and 1980s, while Turkey’s economic backwardness in relation to the German economy increased. In addition, Turkey, in contrast to Italy, has been a politically unstable country.
Several theoretical models have been proposed to explain (part of) the international migration puzzle. However, according to Massey et al., research into international migration lacks a commonly accepted theoretical framework, which would facilitate the accumulation of knowledge (Massey et al., 1993: 437).

The oldest theory of migration is neoclassical economic theory. According to this theory, wage differences between regions are the main reason for labor migration. Such wage differences are due to geographic differences in labor demand and labor supply, although other factors might play an important role as well, e.g., labor productivity, or the degree of organization of workers. Applying neoclassical economics to international migration, it can be said that countries with a shortage of labor relative to capital have a high equilibrium wage, whereas countries with a relatively high labor supply have a low equilibrium wage (Jennissen, 2007: 418). Dual labor market theory argues that international migration is caused mainly by pull factors in the developed migrant-receiving countries. According to this theory, segments in the labor markets in these countries may be distinguished as being primary or secondary in nature.

The primary segment is characterized by capital-intensive production methods and predominantly high-skilled labor, while the secondary segment is characterized by labor-intensive methods of production and predominantly low-skilled labor. Dual labor market theory assumes that international labor migration stems from labor demands in the labor-intensive segment of modern industrial societies (receiving countries) (Piore, 1979: 21).

Stark (1991) argues that the decision to become a labor migrant cannot be explained only at the level of individual workers; wider social entities have to be taken into account as well. Their approach is called the new economics of labor migration. One of the social entities to which they refer is the household. Households tend to be risk-avoiding when household income is involved. One way of reducing the risk of insufficient household income is labor migration of a family member. Family members abroad may send remittances. According to the new economics of labor migration, these remittances have a positive impact on the economy in poor sending countries as households with a family member abroad lose production and investment restrictions (Taylor, 1999: 72).

Migration in the context of the relative position of a household in the sending society may be seen as a second aspect of the new economics of labor migration (Massey et al., 1993). Here, the sending society is the wider social entity in which international migration is studied. Relative deprivation theory, which is the subject of the next subsection, is the theoretical linchpin of this aspect of the new economics of labor migration (Jennissen, 2007: 77).

Relative deprivation theory argues that awareness of other members (or households) in the sending society about income differences is an important factor with regard to migration. Therefore, the incentive to emigrate will be higher in societies that experience more economic inequality. World systems theory considers international migration from a global perspective. This approach emphasizes that the interaction between societies is an important determinant of social change within societies. An example of interaction between societies is international trade. Trade between countries with weaker economies and countries with more advanced economies causes economic stagnation, resulting in lagging living conditions in the former (Jennissen, 2007: 419). This is an incentive for migration.

As a result of large inflows of international migrants, migrant networks may be formed, involving interpersonal linkages between (migrant) populations in origin and
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Destination areas. Migrant networks may help potential migrants of the same ethnic origin, for instance, by contributing to financing the journey, helping to find a job or appropriate accommodation, or by giving information about education possibilities or access to social security. As international migration occurs on a large scale it can become institutionalized. According to institutional theory, a large inflow of international migrants induces profit and nonprofit organizations, which can be legal or illegal, to provide, for instance, (clandestine) transport, labor contracts, (counterfeit) documents, dwellings or legal advice for migrants (Massey, 1993: 172).

**The new economics of labor migration theory**

More recently, an alleged theoretical “alternative” to the theories presented above has been put forth under the guise of the so-called New Economics of Labor Migration, which has purportedly sought to redress both the excessive structural emphasis of the historical-structural perspective and the theoretical insufficiencies of the standard neoclassical theoretical framework. According both to its proponents (Taylor, 2001) and to latter-day authors reviewing the literature (De Haas, 2010; Hagen-Zanker, 2008), this theory has thus constituted a fundamentally new theory – one which effectively reconciled agency and structure and allowed for “a greater variety of outcome than would have been allowed from either the single aggregation of individual decision making or from the unidirectional imperatives of structures” (De Haas, 2010: 242).

Appeared in the specialized theory regarding migration by the end of the last century, the new economy of migration questions some of the ideas regarded in creating the neoclassic theory (Piore, 1979: 56), either by arguing against them, or by completing them (Stark, 1991: 98). The starting point of this new approach is represented by the idea that the decision to migrate is not an individual one, but rather one made by a group, such as families or households. The members of these groups act in common, not only to maximize their incomes, but also to minimize their risks and eliminate the restraints that come from the failures of national markets, not only of the labour field (Stark, 1991: 17).

Stark and Bloom try to argue why there was need for a new theoretical structure in the attempt to explain international migration: research on the economics of labor migration has undergone an exciting and significant transformation during the past few years. At a theoretical level, migration research has expanded the domain of variables that seem to impinge upon and are affected by spatial labor supply decisions; it has highlighted the role of wider social entities and interactions within them in conditioning migration behavior; it has identified new linkages between migration as a distinct labor market phenomenon and other labor market and nonlabor market phenomena; and it has contributed to our understanding of the processes of economic betterment and development. At an empirical level, their work on the economics of labor migration has confirmed the usefulness of old and well-established models of labor migration. It has also provided better estimates of key-behavioral patterns, many of which are important ingredients in ongoing debates over public policies regarding migration (Stark and Bloom, 1985: 173).

It purportedly sought to redress both the perceivably unsatisfactory character of the neoclassical theory of migration and the alleged lack of regard for human agency in historical-structural accounts. In so doing, it has been variously characterized as a “fundamental departure from past migration research” (Taylor, 2001: 181); a “fundamentally different theory of migration [...] which constitutes...] the only migration theory that explicitly links the migration decision to the impacts of migration” and “a
pluralist view on migration and development”, “inspired by Giddens’ (...) structuration theory”, which “sought to harmonize actor and structure-oriented approaches” (De Haas, 2010: 241).

Some authors argue that the new economy of migration is characterized by the same fundamental flaws as the standard neoclassical theoretical account, albeit in a more sophisticated information-theoretic clothing. In this respect, it constitutes migration theory’s own instance of what is called “the art of paradigm maintenance”: bulwarking the central tenets of a theoretical body against rising contestation through peripheral concessions and readjustments. Such concessions and readjustments notwithstanding it is argued that the methodological individualism that characterizes both the standard neoclassical theory and its new economy of migration avatar structurally prevent them from constituting satisfactory theoretical accounts of migration. For that, one must look instead to the contributions of the historical-structural perspective, much in need of a new "synthesis" and a number of theoretical readjustments.

The neo-classical economics and the new economy of migration approaches differ from one another insofar as they posit contrasting sets of interpretations regarding return migration. When neo-classical economists argue that people move permanently to raise and maximize their wages in receiving countries, return migration is viewed as a failure, if not an anomaly. When the new economy of migration contends that people move on a temporary basis to achieve their goals or targets in receiving countries, as a prerequisite to returning home, return migration is viewed as a success story, if not a logical outcome. The new economy of migration theorists are adamant about breaking away from the neo-classical image of the failed returnee (Abreu, 2012: 48). The duration of stay abroad is calculated with reference to the need of the household, in terms of insurance, purchasing power and savings. Once such needs are fulfilled, return migration occurs. In other words, the new economy of migration approach to return migration goes “beyond a response to negative wage differential” (Stark, 1991: 11).

When they are organized in households, the individuals have the ability to control the risks regarding their economic welfare, by dividing their resources to various destinations, in order to overcome economically difficult moments. By doing so, some of the family members can work in the local economy, while others emigrate, hoping to obtain income in a market that has nothing to do with the national one, thus being shielded from the risks that may appear in their country of origin (Sandu, 2000: 102). If such risks or economic problems appear, the household can rely on the remittances sent by immigrants in order to overcome difficult times. In the economically developed countries, the possibility of such risky situations to appear is being handled by the insurance companies or governmental programs, while in the poor countries there are no such institutional mechanisms to handle risks, or the small incomes of each family do not allow them to have private insurance, thus creating even more reasons to migrate. Furthermore, in the economically developed countries the credit systems are efficient, allowing families to obtain supplementary incomes needed to fund various projects, such as the acquisition of new production technologies (CDMG, 1996: 85). On the other hand, in the developing countries, the credits are generally hardly accessed, or very expensive. Therefore, in the absence of efficient and accessible insurance and credit systems, the market failures are being perceived more intensely at an individual level, causing increased social pressure, and favouring external migration.

According to the theory of the new economics of labor migration, labor migration has to be studied within wider social entities: i.e., households. Within the entity of the
household, the (un)certainty of household income is the main determinant of labor migration. Migration of a household member is a way to spread the risk of insufficient household income. Subsequently, the household member abroad may send remittances, which may increase (the certainty of) the household income. Moreover, the theory of the new economics of labor migration states that remittances have a positive effect on macroeconomic development in sending countries. This perspective on the impact of remittances upon sending economies is called the “developmentalist” perspective (Taylor, 1999: 72). International labor migration then is, according to the new economics of labor migration, a transient phenomenon. In the literature, however, there is no consensus on whether remittances have a positive or a negative influence on the sending economy. In addition to the “developmentalist” perspective, Taylor also distinguishes the “migrant syndrome” perspective on the impact of remittances upon sending economies. If labor outflow and consequently remittances experience great ups and downs, the economy of sending countries faces considerable adaptation difficulties like inflation or “Dutch disease”. The term “Dutch disease” is used when a country’s apparent good economic fortune ultimately proves to exert a net detrimental effect. Because of the (possibly) disturbing effect of remittances on the economy of sending countries, the certainty of sufficient income of more households in the sending region may be reduced, leading to more labor migration.

Migration becomes a tempting alternative for extra income, which is necessary for investments in means of production, or even to sustain current living. The new economies of migration question the thesis according to which the variation of income has constant effects for the individual, even if the social and economic conditions are different (Held et al., 2007: 152) – for instance, a raise of 100$ in income means the same for any person, regardless of the specific conditions of the local community, or the position of the individual in the distribution of income (Massey et al., 1993: 438). Those who argue for the new economy of migration claim that the members of households decide to send some of their relatives for work abroad not only to increase their incomes in absolute terms, but also in order to increase their incomes compared to other households, and, thus, reduce relative deprivation compared to certain reference groups (Stark, 1991: 25). The perception of the relative deprivation by the members of a household depends on the level of the income that it is being deprived of, reported to a certain reference group. Relative deprivation can be perceived by a poor household even if its income is constant, but the income of the reference group grows. Thus, the likelihood of migration grows if, by sending one member abroad, a household hopes to recover some of the economic disadvantage regarding wealthier households (Porumbescu, 2012: 272). The national economic problems and the lack of attractive opportunities existing in developing countries encourage such a decision.

The emphasis on relative deprivation as a determinant of migration was introduced by Stark (Stark, 1991: 25). It rests on the hypothesis that potential migrants carry out interpersonal income comparisons with other people within their relevant social settings, and that it is these comparisons, along their wish to improve their relative positions within those settings, that constitute the relevant element in the decisionmaking process (Abreu, 2012: 54). This hypothesis constitutes an application to the field of migration of the theory of relative deprivation introduced by Stouffer et al. in 1949 (Stark, 1999: 52), and it seeks to account for the fact that, in numerous empirical contexts, “migration rates are higher from villages where the distribution of income by size is more unequal” (Stark and Bloom, 1985: 175).
The theoretical models that result from the new economy of migration raise a set of hypotheses that are obviously different from the ones formulated in the neoclassical theory (Massey et al., 1993: 439): 1. Families, households, and other culturally defined units of production and consumption are the levels on which migration research should be reported, not individuals; 2. A wage difference is not a necessary condition for international migration to occur; households can have good reasons to reduce the risks associated to economic differences by migration, even in the absence of wage differences; 3. International migration and local production are not possibilities that exclude each other. Indeed, there are good reasons for members of the same household to involve in activities both local, as well as in other areas. Actually the increase in the volume of remittances as a consequence of migration, and economically reflected on the local area, lead to increasing the appeal of migration, as a mean to overcome financial risks. Therefore, the economic development of the areas of origins does not necessarily reduce the appeal of migration; 4. International migration does not stop at the moment when the wage differences in the sending and destination areas are eliminated. Reasons to migrate may continue to exist, if certain markets in sending countries do not work properly; 5. The same estimated wage gain will not generate the same effects in the event of migration for households situated in different areas or that belong to communities with different wage gains; 6. National governments can influence migration not only by the national policies in the field of labour force, but also by the policies in the field of capital markets or insurance markets. Social security systems, particularly unemployment insurance, represent major factors in influencing the decision to emigrate; 7. Governmental policies and economic changes that influence the distribution of incomes will alter relative deprivation perceived in some households, and consequently, will modify the migrant’s intentions; 8. Governmental policies and economic changes that affect the distribution of income will affect international migration regardless of their influence on income. As a matter of fact, governmental policies that have the effect of causing a wage raise can result in a growth of migration, if this wage raise is not applied for all employees, and the poor households cannot enjoy it. On the other hand, these policies can result in a decrease of the intensity of the migration process, if the rich families do not benefit from these wage raises, thus reducing the social differences between the rich and the poor.

The incorporation of aspects such as incompleteness of information, risk, self-insurance or game-theoretical analyses of intra-household commitments (Stark and Bloom, 1985: 175) renders clear the informational-theoretical character of the new economics of migration theory. It also provides a theoretical framework in which to reframe the analysis of migration as a process of innovation adoption and diffusion (Abreu, 2012: 56). Thus, the speed of diffusion of the decision to migrate as an innovation, from the innovators and early adopters in a community through to the late majority and laggards, is in the new economics of migration framework a function of the interaction between the risk-aversion properties of the potentially adopting households’ utility functions and the extent to which information conveyed by previous migrants reduces the uncertainty surrounding the migration option itself, conditioned by market incompleteness and the overall income distribution at the origin (Stark and Bloom, 1985).

The new economics of migration theory was built in accordance with a certain historical context, the mexican migration in the United States, and this is precisely the fact for which it was criticised (Krity et al., 1998: 78). Some of the limits of this theory can be assumed to have been caused by the fact that the conditions associated to the places of origins are being considered exclusively, while the characteristics of the destination are
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being ignored. In reality, some policies regarding migration in the destination country can encourage or restrict this phenomenon, thus becoming worthy of being regarded by the potential migrants.

Furthermore, the basis of this theory is represented by the formulation of some counter-arguments for the neoclassical theory (Szczepanski, 1972: 112). The idea of relative deprivation and its action as an incentive for external migration has an obvious sociological value, and introduces the comunitary level as an element of novelty in the attempts to explain the phenomenon, emphasizing the cumulative character of the factors that create the basis for the decision to emigrate. However, what the new economics of migration theory fails to explain properly is the connection between the intention to reduce the risks upon the family income by migration and the place of that certain household in the comunitary income distribution scheme, fact proven also by the existence of differentiated emigration rates (Constantinescu, 2002: 99). The process of re-uniting the family at destination is completely overlooked within this theory. This is a mechanism that fueled, for instance, the Turkish migration flow in Germany after the end of the recruitment agreements. Considering the two concepts discussed within this theory, imperfect markets and relative deprivation, and also the effect they may or may not have on the decision to emigrate, we can argue that the explaining elements offered by the new economics of migration theory are not enough to understand the process. So, as some authors confirm (Abreu, 2012: 64), the new economy of labor theory has in fact been little more than an avatar of the neoclassical approach in which only marginal concessions and changes were made, while the core (rationality, methodological individualism, lack of regard for structural trends and constraints) remained untouched. Therefore, we consider that an integrated approach of various migration theories would be much more appropriate to understanding and explaining the complex events of current international migration.

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**Article Info**

Received: February 24 2015

Accepted: March 16 2015