

Migration Watch Mexico

Economic Research Department
Fundación BBVA Bancomer

May 2010



adelante.

Migration Watch Mexico

Conscious of the enormous human value of Mexican migrants, BBVA Bancomer has assumed a social commitment with them and their families.

It has undertaken several actions intended to improve their situation and to acquire a deeper knowledge of migration and its implications.

- “Por los que se quedan” scholarship program
- Data set of migration and development
- The documentary “Los que se quedan”
- Research on Migration and development

Since 2006 the BBVA Bancomer Foundation has been sponsoring the “Por los que se quedan” scholarship program, which enables children under 15 years of age, from migrant communities of origin, the opportunity to remain in school.

Scholarship consists of:

- \$1,000 pesos monthly for the 10 months of school year, during the 3 years of secondary education.
- Mentoring program by employees of the Bank, who voluntarily support and guide them.

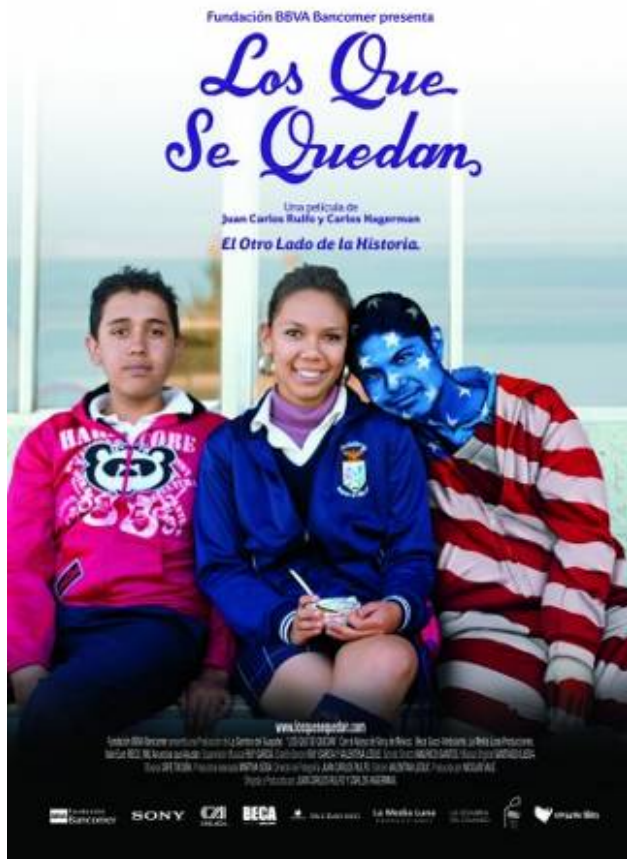
We are currently working in 18 states, in 143 communities, supporting 15,000 students with the participation of 700 employee volunteers.



Programa Becas de Integración



- We supported the documentary “Those who remain” (“Los que se quedan”), a film by Juan Carlos Rufo and Carlos Haggerman.



Sponsoring by Fundacion BBVA Bancomer ***“Those who remain”*** is a film about the families of those who have crossed the border to the United States in search of better opportunities. A film about absence, about the families whose lives are defined by the voids emigration has created.

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Editorial

Short-term

Effects of the Recession in the United States on Mexican Migrants and Outlook for 2010

Box: Sectorial and Regional Mobility of Mexicans in the U.S.

Articles

Economic Effects of Migration in the Destination Country

Box: Evidence of Positive Economic Effects in the U.S.
Due to Mexican Immigration

Recent Changes in the Conditions of Mexican Households
that Receive Remittances

Importance of the Global Forum on Migration & Development

Statistical Appendix

1. Determinants of migration and global trends

2. Recession and its impact on migration and remittances

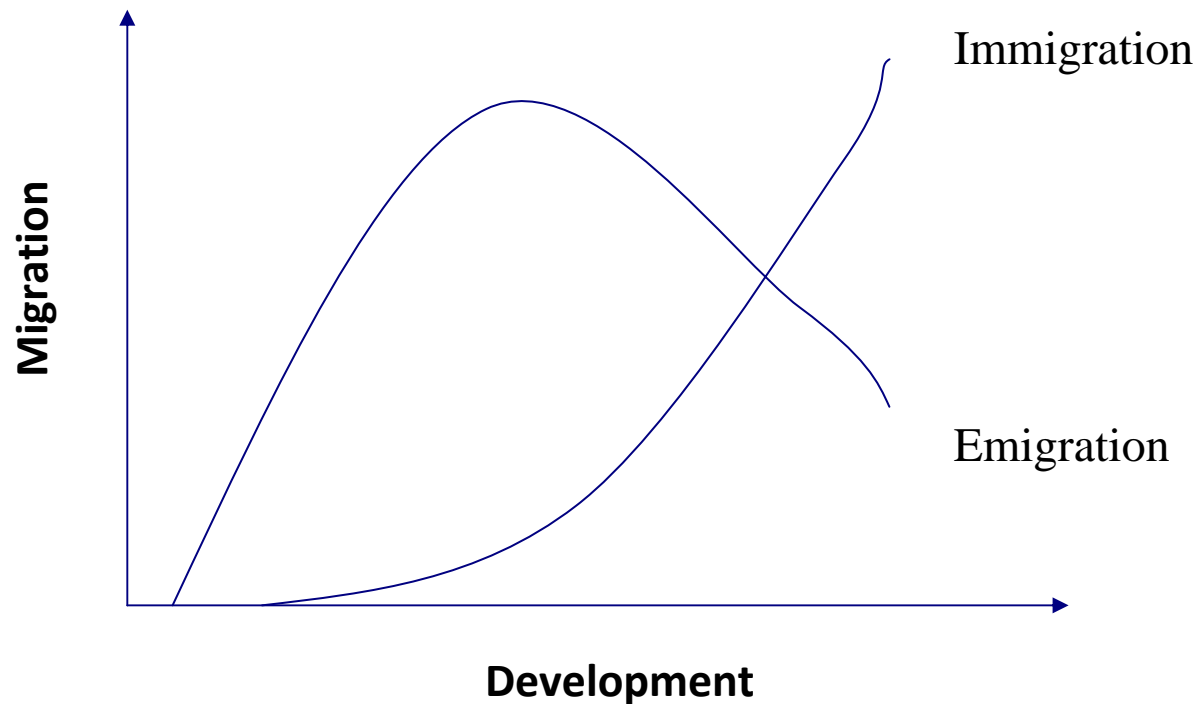
3. Economic Effects of Mexican Migration on the US

4. The importance of social networks

	Push factors	Pull Factors
Economic and Demographic	<ul style="list-style-type: none"> • Poverty and marginalization • Unemployment • Low wages • High fertility rates • Lack of education and Health 	<ul style="list-style-type: none"> • Improves the potential in quality of Life
Political	<ul style="list-style-type: none"> • Insecurity and violence • Government weakness • Corruption • Human rights Abuse 	<ul style="list-style-type: none"> • Security • Political Freedom
Social and Cultural	<ul style="list-style-type: none"> • Discrimination 	<ul style="list-style-type: none"> • Family reunification • Freedom from discrimination
Environmental	<ul style="list-style-type: none"> • Limited land • Environmental Degradation 	<ul style="list-style-type: none"> • It improves the potential in ecological quality

Source: BBVA Research, Mexico

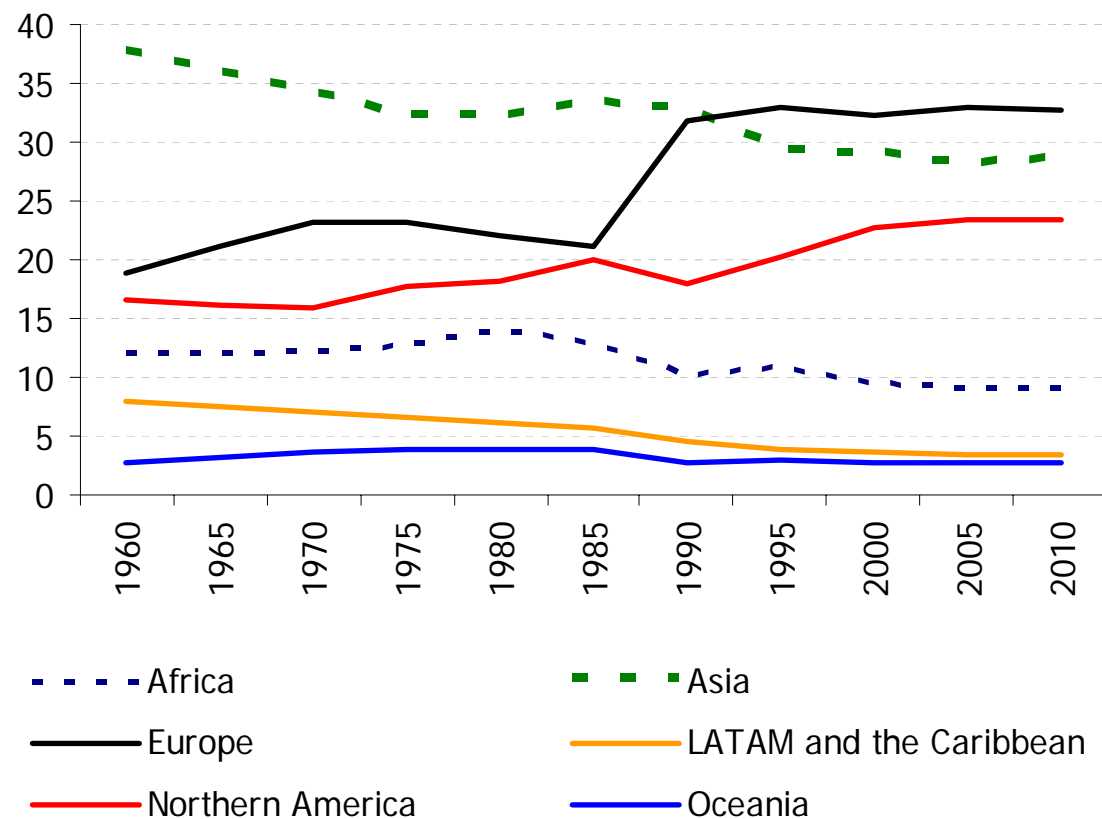
Emigration rises in the first phases of development and later on decreases. History shows that as nations thrive, they switch from being net exporters to net importers of jobs.



Source: De Haas (2008)

This pattern is seen in the data. North America and Europe are the regions with the greatest growth in migratory flows.

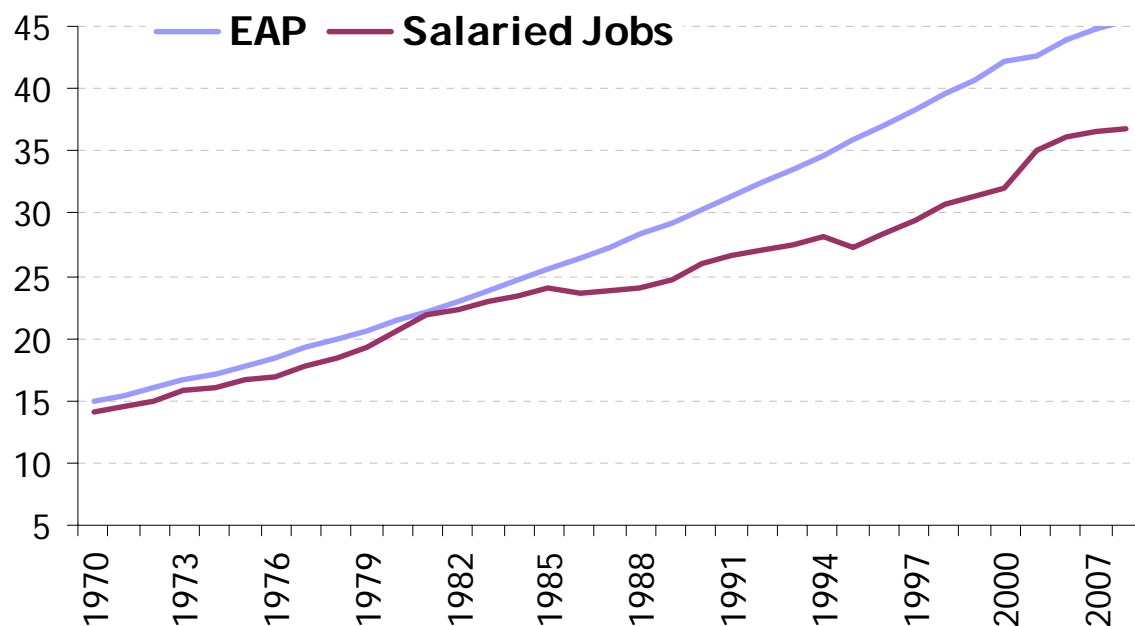
International Migrant Stock (% of total)



Source: BBVA Research with UN Population Division data

Since the 1980's the Mexican economy has created jobs at a rate significantly below the growth rate of the country's population.

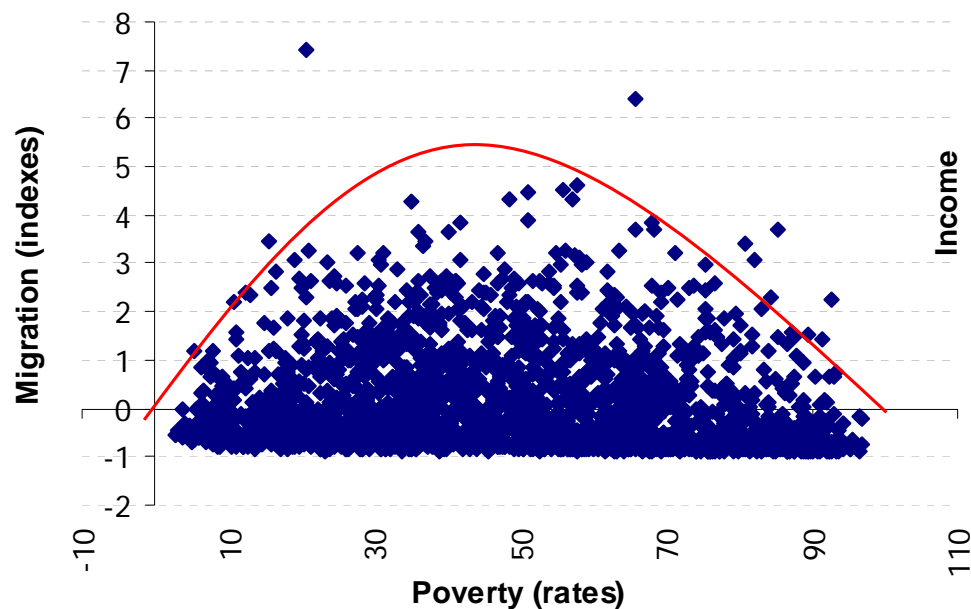
EAP and Salaried Jobs in Mexico, 1970-2008 (Millions)



Source: BBVA Research. Mexico based on data from INEGI, National Employment Survey and Hernandez Laos, (2004)

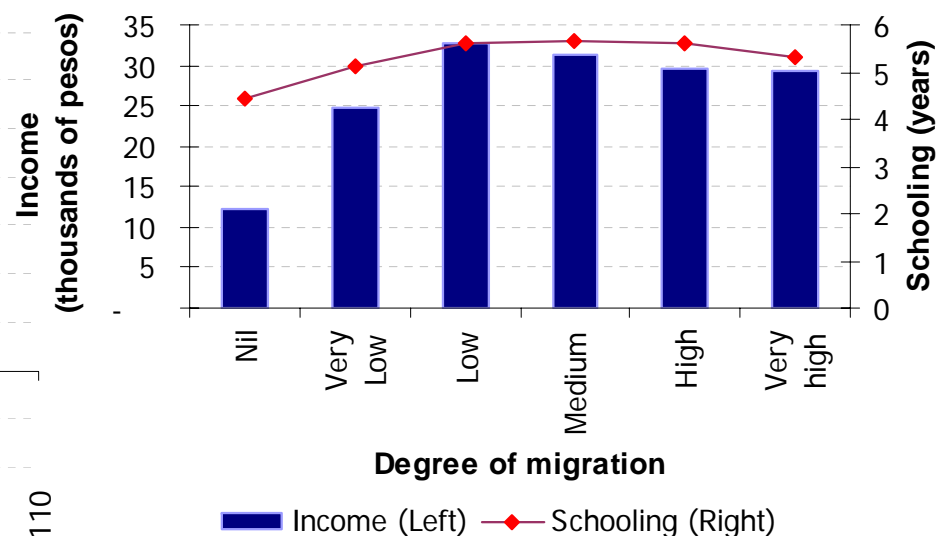
Migration tends to be concentrated in municipalities with medium poverty levels.

Capabilities Poverty vis a vis Migration on a Municipal Level, 2000



Source: BBVA Research with Conapo and Coneval data

Migration vis a vis Education and Per Capita Income Levels on a Municipal Level, 2000



Source: BBVA Research based on Conapo and UNDP data

1. Determinants of migration and global trends

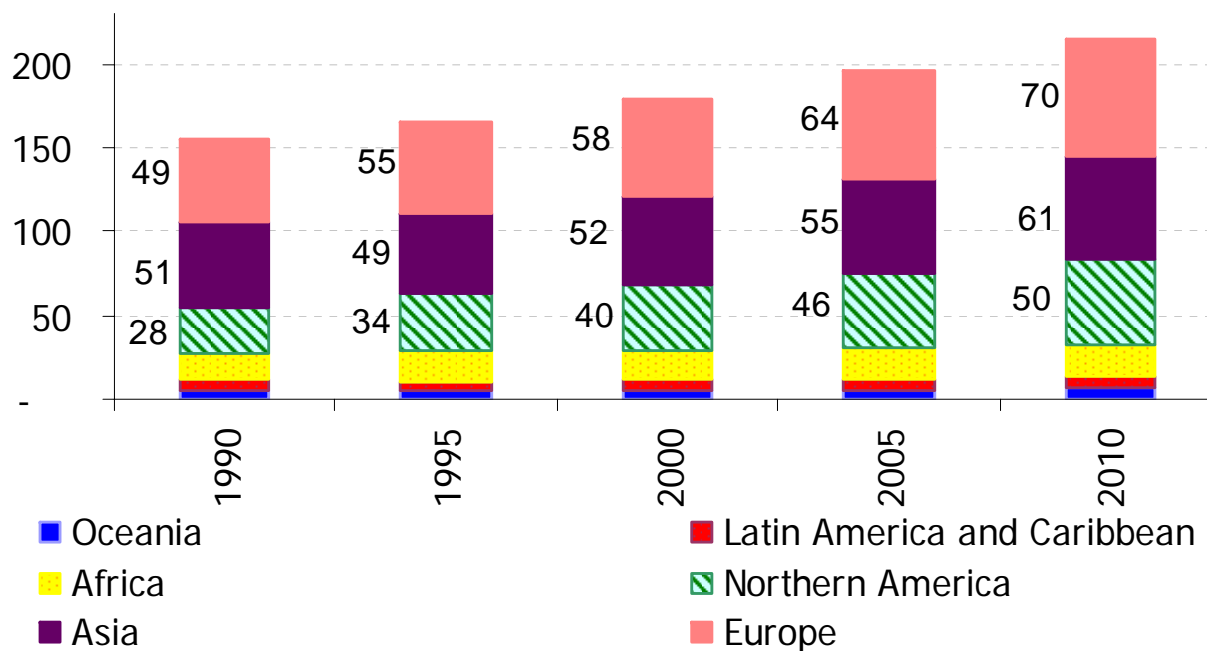
2. Recession and its impact on migration and remittances

3. Economic Effects of Mexican Migration in the US

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Global migration stock is still rising

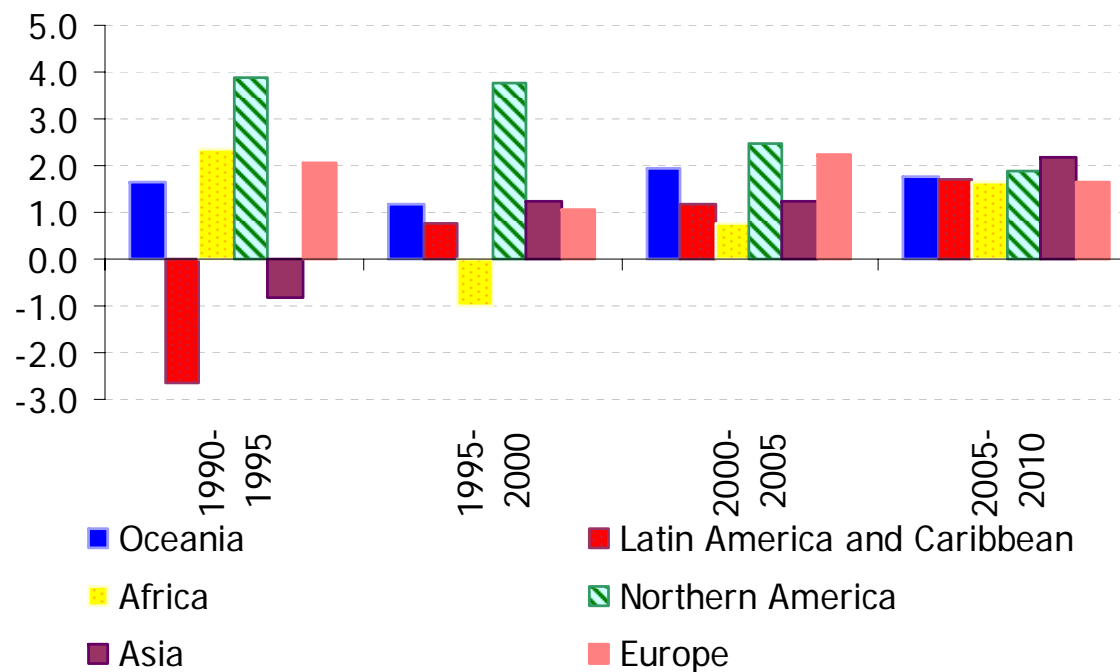
International Migrants by Main Regions Balances, millions of persons



Source: United Nations, Population Division, International Migration 2009

Global migration stock is still rising

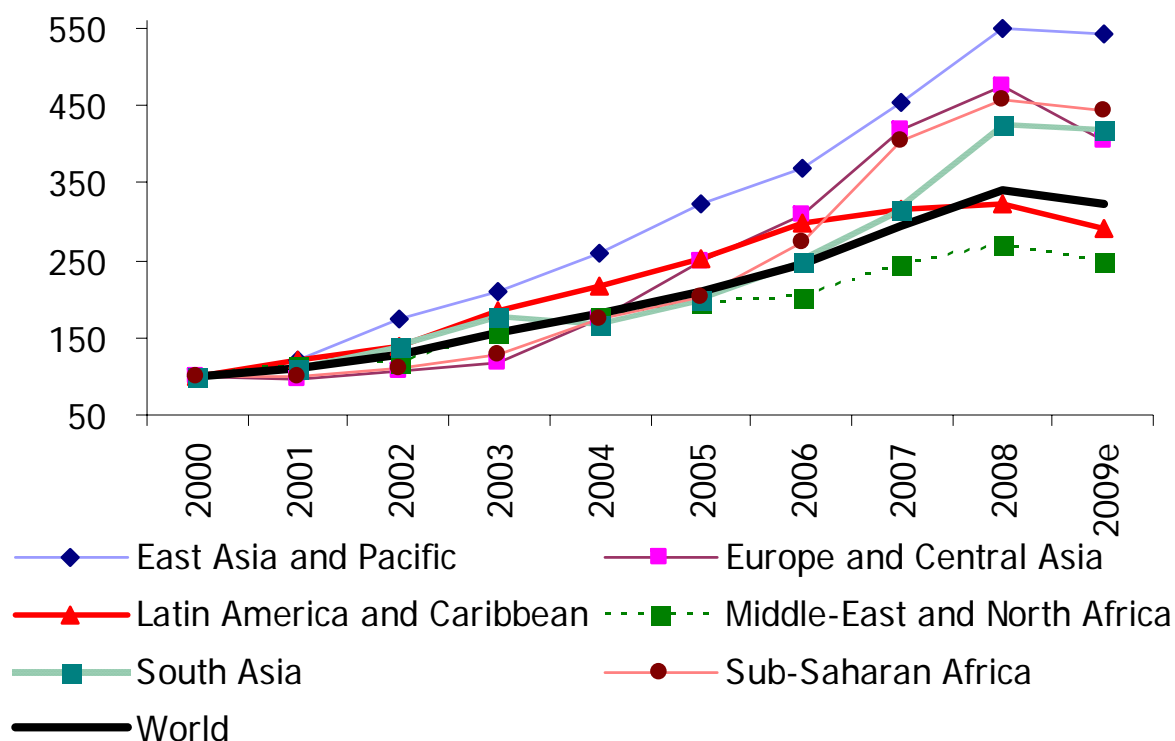
International Migrants by Main Regions Growth rate, %



Source: United Nations, Population Division, International Migration 2009

Remittances, which represent 0.7% of world GDP, reached in 2008 a record high : **444 billions of dollars (338 in developing countries)**

Remittances in different regions
Index 2000 = 100



Source: BBVA Research with World Bank data

Remittances in different regions

	Billions of dollars		% change 2008-2009
	2008	2009e	
Developing countries	338	317	-6.1
Europe and Central Asia	58	49	-14.7
Latin America and Caribbean	65	58	-9.6
Middle-East and North Africa	35	32	-7.2
Sub-Saharan Africa	21	21	-2.9
South Asia	73	72	-1.8
East Asia and Pacific	86	85	-1.5

Europe and Central Asia, and Latin America and the Caribbean with the largest declines

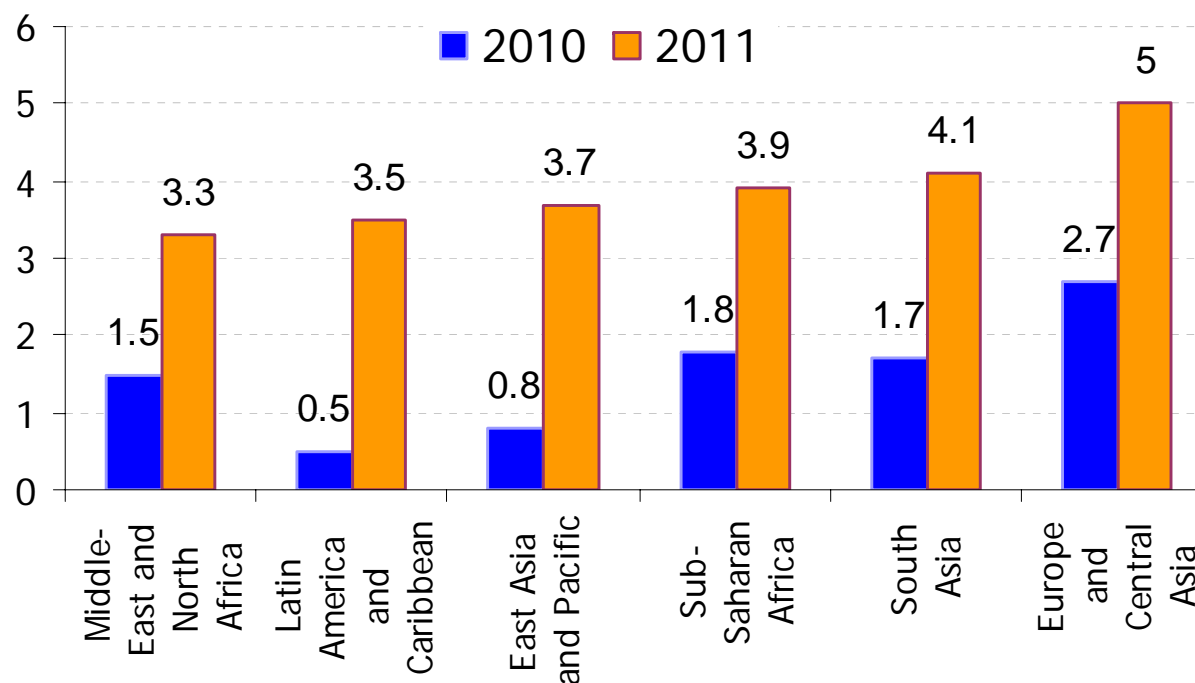
East Asia and Pacific, and South Asia the least affected

e=estimate

Source: World Bank

But the flow is likely to continue. The World Bank estimates there will be increases in remittances in the next two years

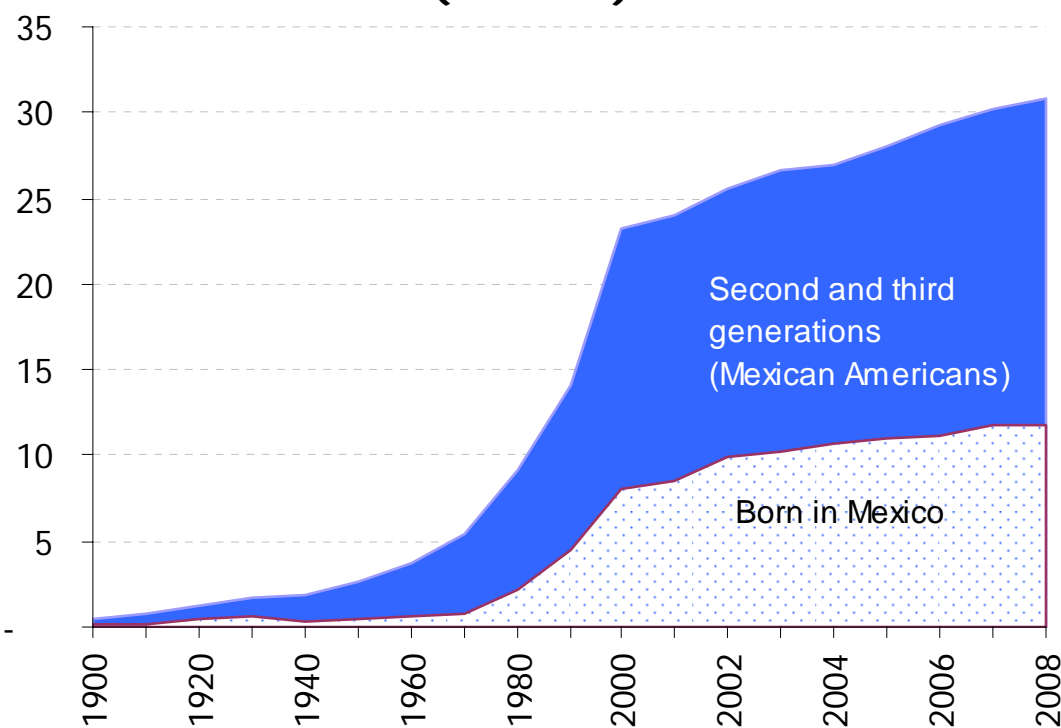
Expected growth rates of remittances in different receiving regions



Source: World Bank

Mexican migration to U.S. has expanded over the past 2 decades. In 2008 there were **30.7 million with Mexican origin**, and **11.8 million born in Mexico**

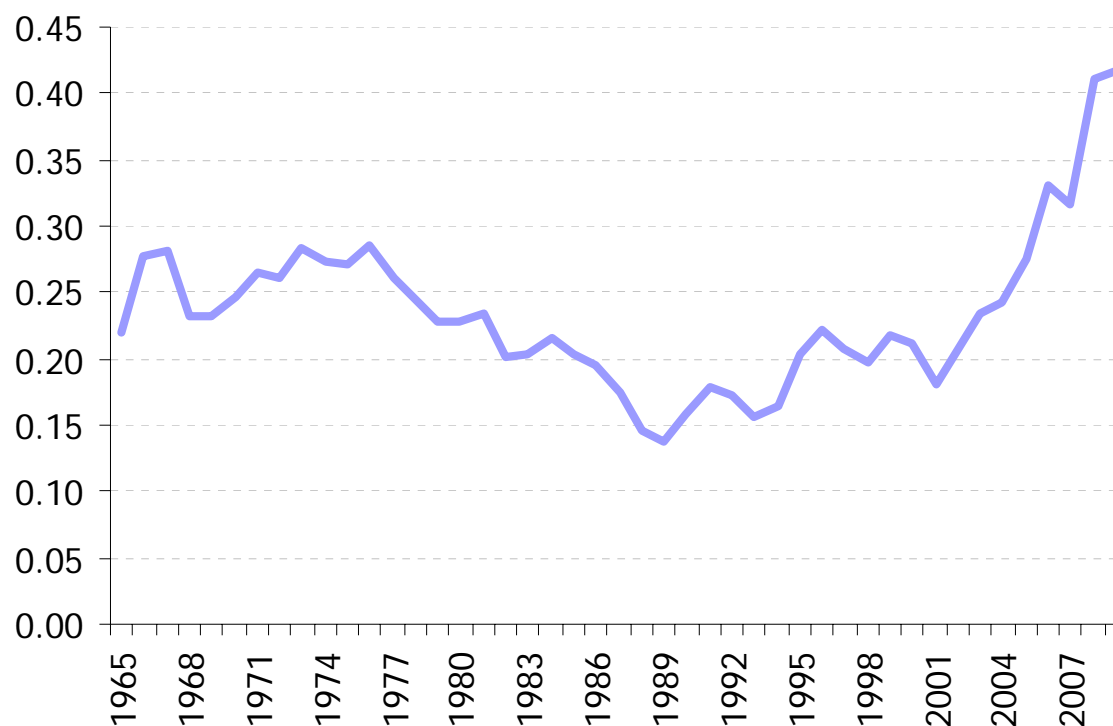
**Mexican Population or of Mexican Origin
Resident in the United States
(Millions)**



Source: BBVA Research, CONAPO and Pew Hispanic Center

Costs of crossing has increased: From \$600 in 1990 to \$2,500 in 2008

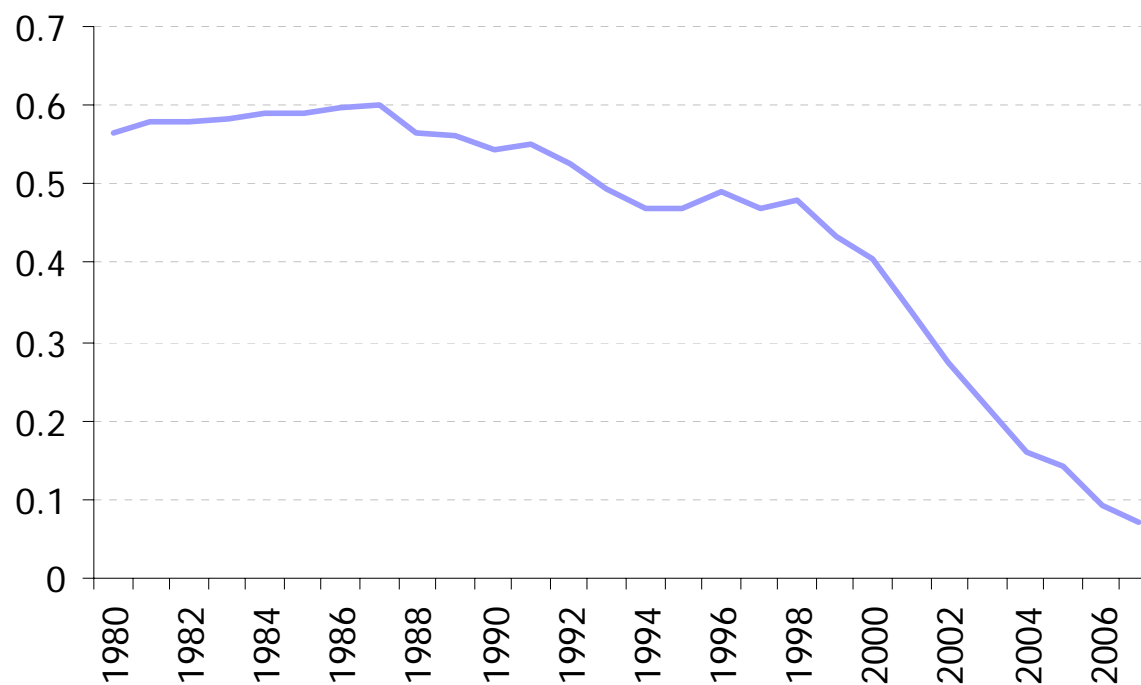
EU.S.: Probability of Detention in an Undocumented Crossing



Source: Mexican Migration Project using MMP128

And the probability of return has decreased

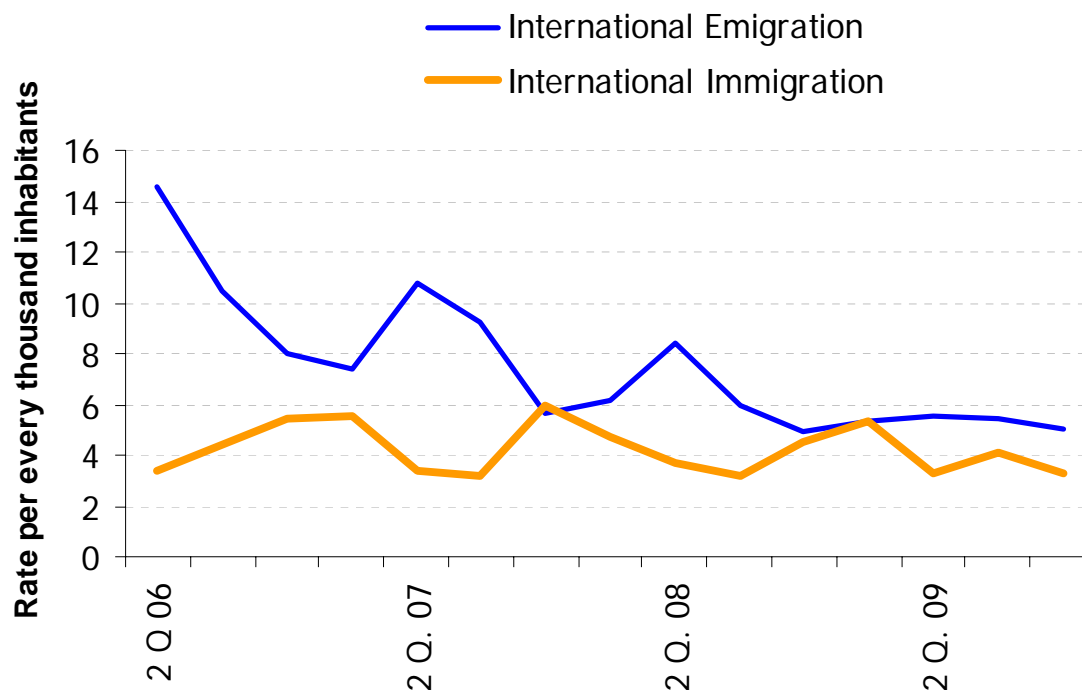
Probability of Return of Mexican migrants in the U.S. Within 12 Months (1st trip)



Source: Mexican Migration Project using MMP128

Migration trends have responded to economic factors (and probably also to restrictions to entry)

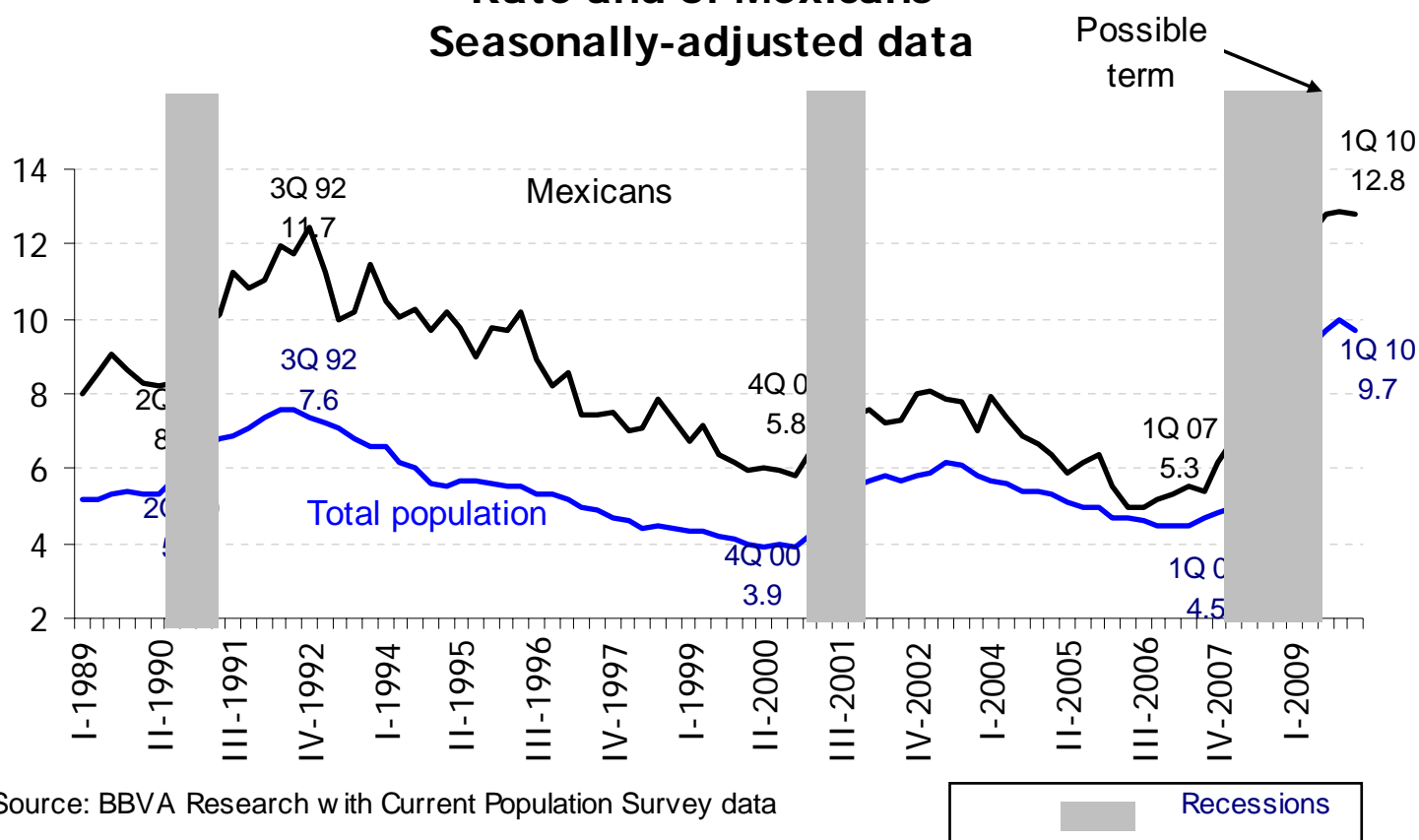
Mexico: International Migration Quarterly rates



Source: INEGI, Estimates based on the National Occupation and Employment Survey, 2006-2009 data bases

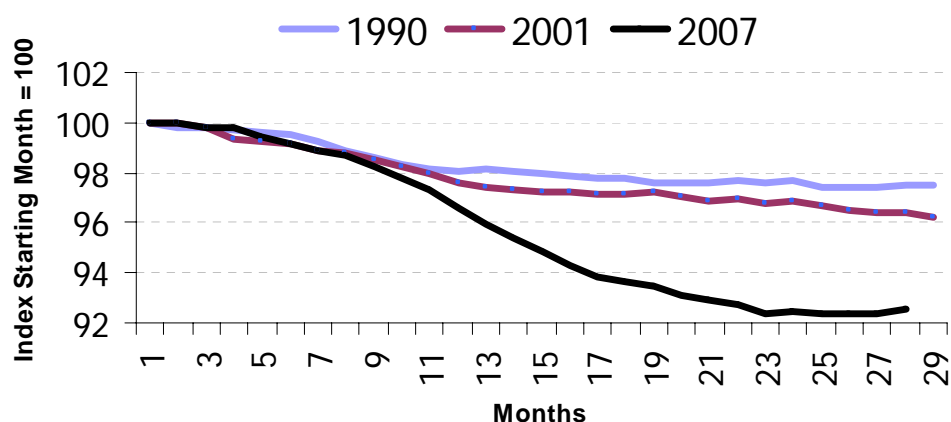
In 2009 Mexicans reached the highest unemployment rates ever (its volatility is probably a symptom of flexibility). It seems to have peaked

U.S.: Quarterly General Unemployment Rate and of Mexicans Seasonally-adjusted data

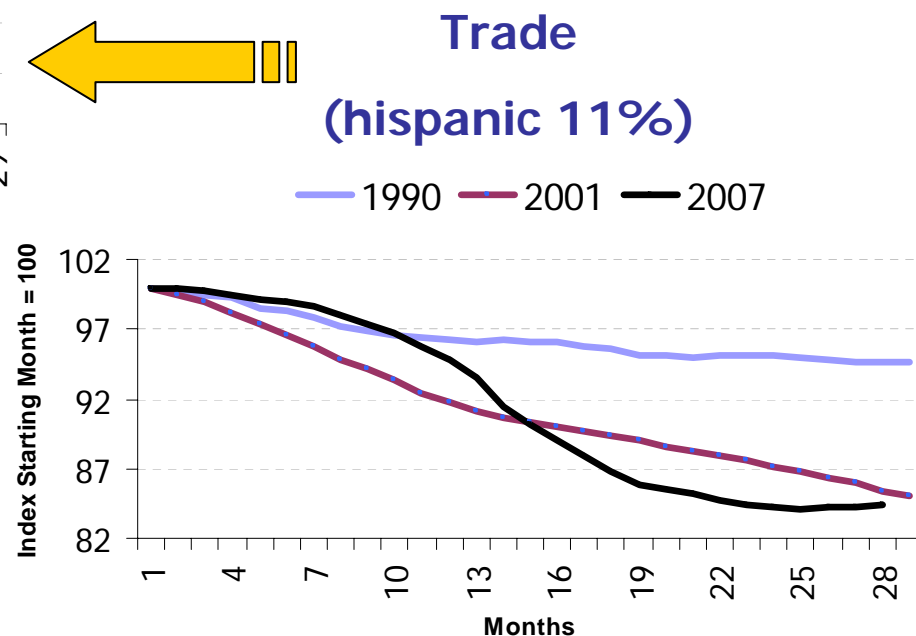
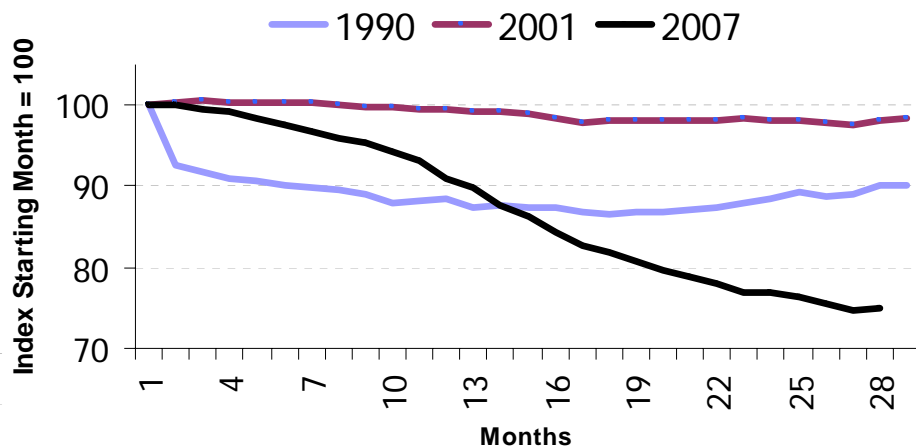


*Employment by sector

Construction (hispanic 40%)

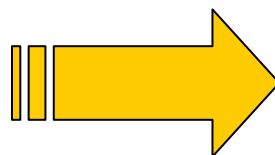


Manufactures (hispanic 20%)



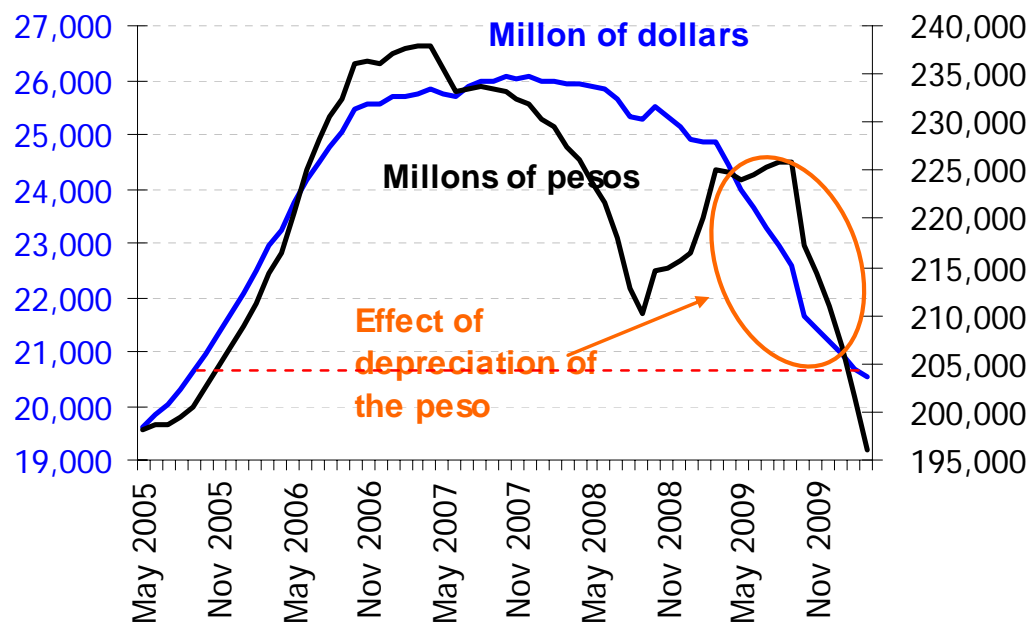
Source: BBVA Research with Current Population Survey data

Remittances have reached levels close to those of 2005.



The depreciation of the peso partially offset the drop in dollar remittances

**12-Month Remittance Flow in Mexico
(12-month accumulated flows)**



Source: BBVA Research with Banxico data

In the first quarter, more than 100 thousand workers of Mexican origin were employed. About 60% were migrants. There are two consecutive quarters of recovery.

Sectors with higher job gains

For Migrants:

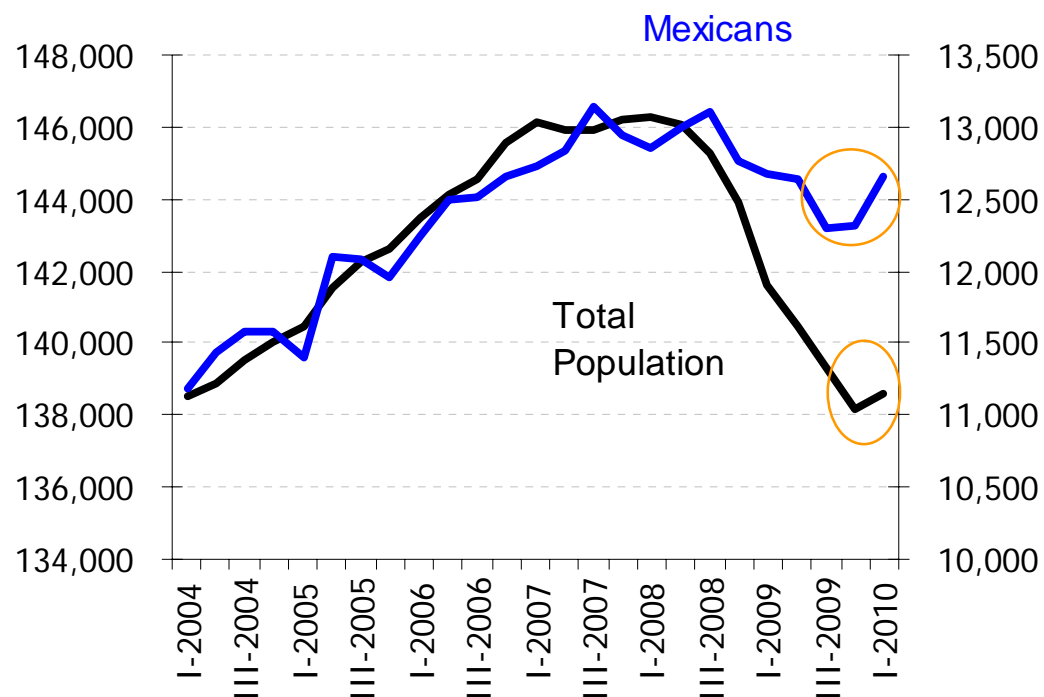
tourism and leisure, retail and educational and health services

South of U.S.

For Mexican native of U.S.:

Educational and health services and in public administration

**U.S.: Employed Workers
Total and Mexican**
Seasonally-adjusted data, millions



Source: BBVA Research with Current Population Survey data

We estimate that remittances to Mexico will grow in 2010 and 2011 in dollar terms

Remittances to Mexico

	Billion of dollars	Growth rate
2007	26.1	2.0
2008	25.1	-3.6
2009	21.2	-15.7
2010f	21.8	3.0
2011f	22.9	5.0

f: forecast

Source: Banxico and BBVA Research

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Some Latinos have a strong influence in the United States...



Bill Richardson



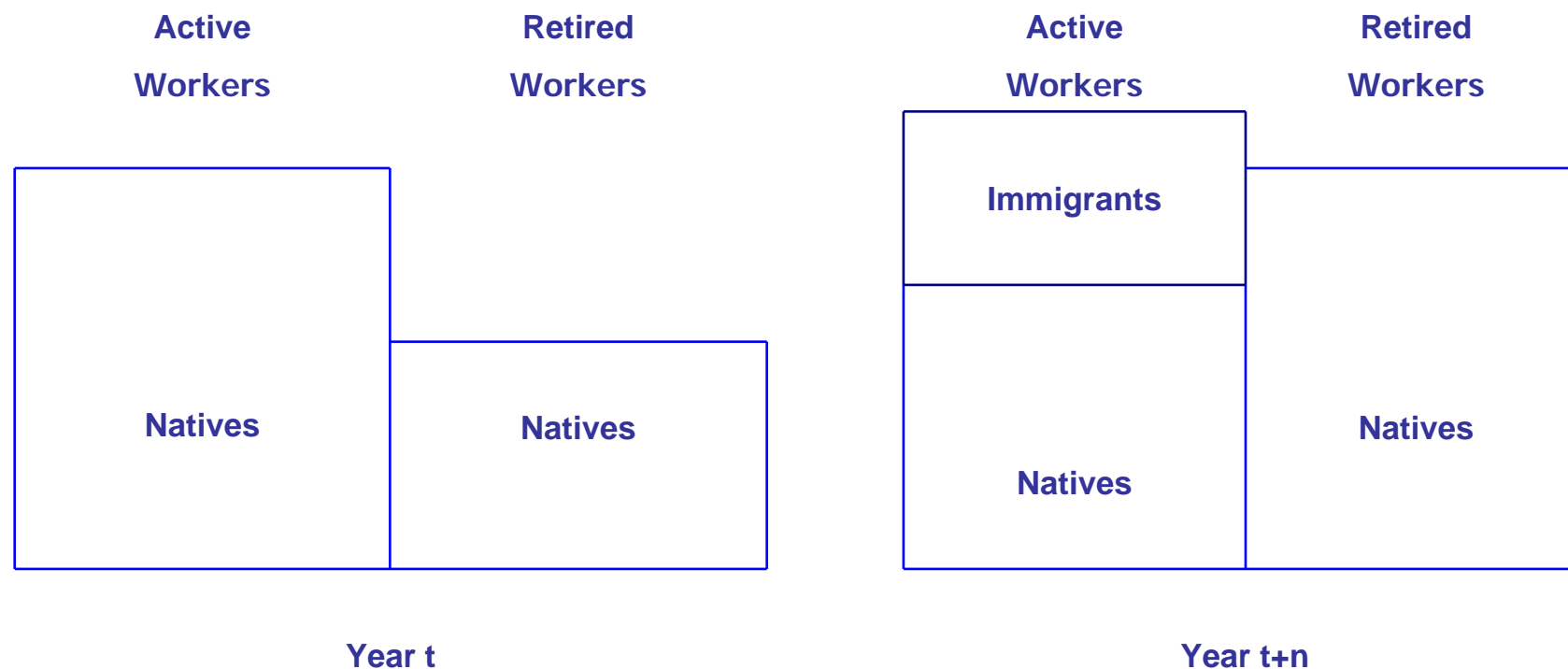
Isabel Allende



Mario Molina

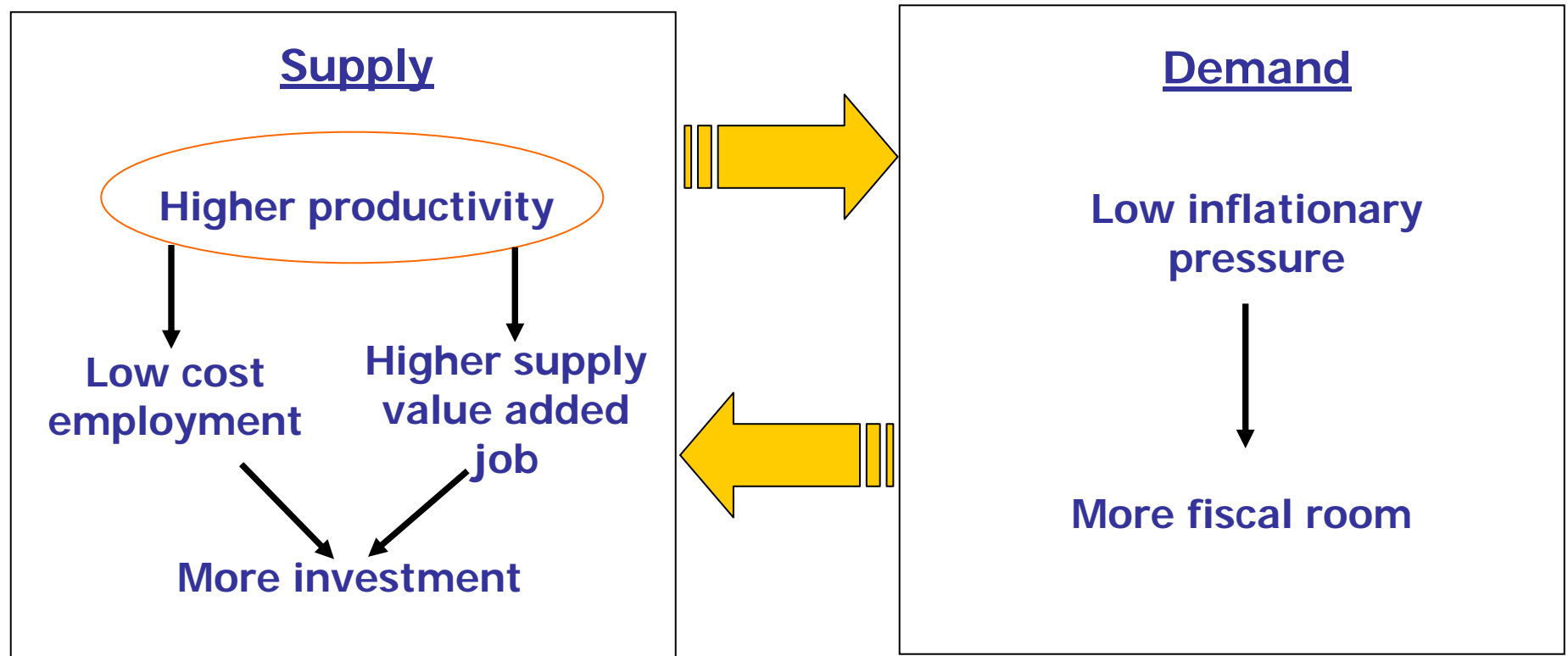
Some others are having positive effects on the size of the productive population and social security.

According to the UN, **old-age dependency ratio in the U.S. will increase noticeably, from 19% in 2010 to 35% in 2050.**



Source: BBVA Research, Mexico

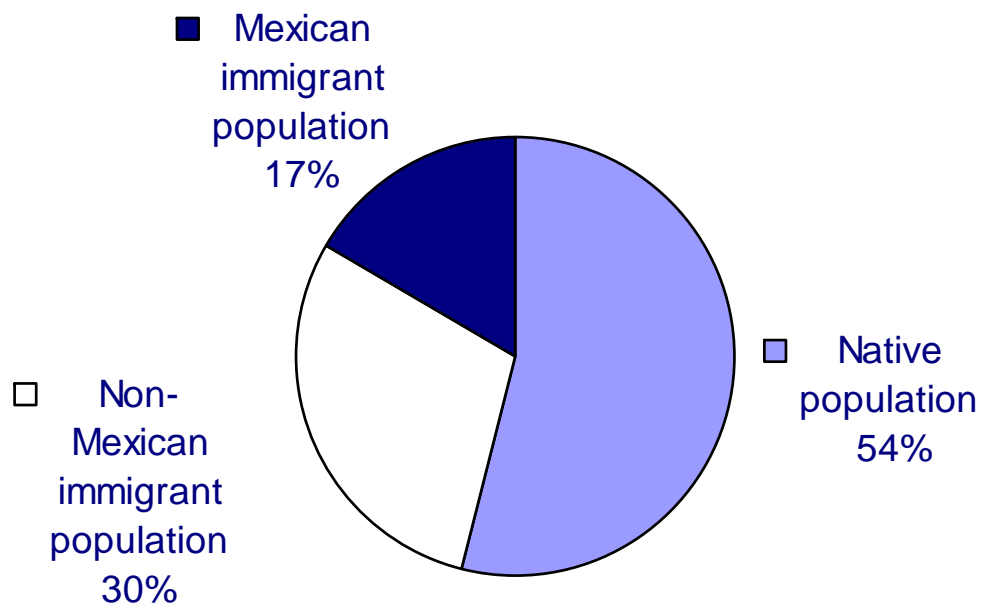
In the boom observed in the decade of the nineties in the U.S., **growth in productivity and in the labor force maintained unit labor costs at low levels**



Source: BBVA Research, Mexico

Between 1994 and 2008, the number of employed workers in the US rose by 23.3 million, 46% were immigrants, and 3.8 million were Mexicans (**17% of the demand for employment in the United States**)

**Contribution to Employment Growth in
the United States, 1994-2008 %**

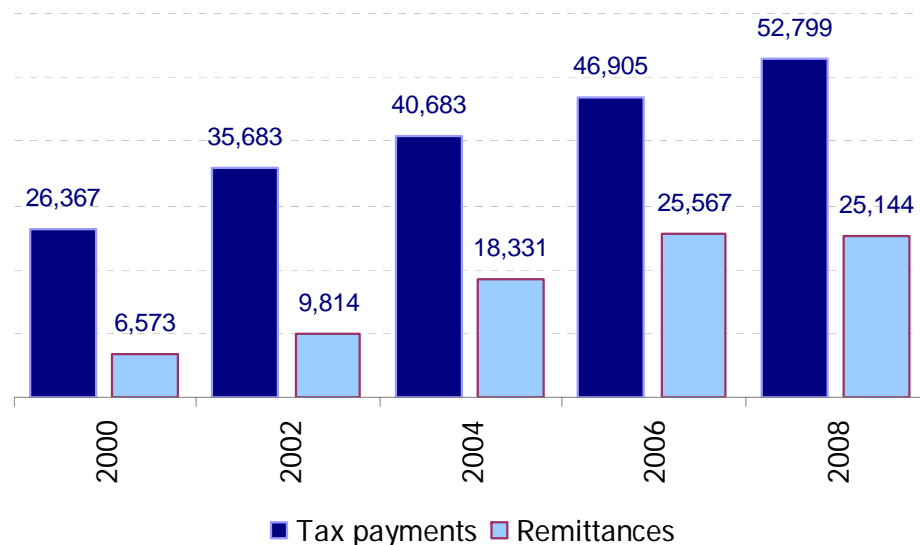


Source: SIMDE

In that period productivity grew 40%.

Mexican immigrants pay more in taxes to the United States than what they send home to Mexico in remittances

Remittances Sent to Mexico and Taxes Paid by Mexicans in the United States, Millions of dollars

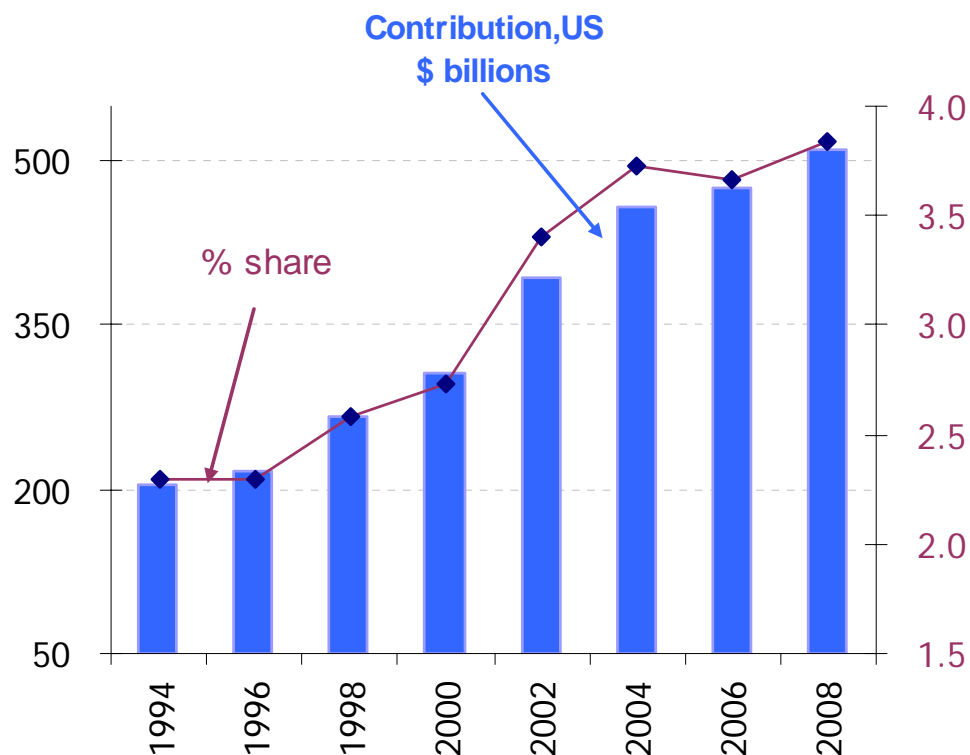


Source: SIMDE

Mexican immigrants paid close to US\$53 billion in taxes, very much more than the US\$25 billion they sent home in remittances.

“Mexican” contribution to U.S. GDP is approximately 4%

Mexicans’ Contribution to U.S. GDP
Constant 2005 U.S. dollars and % share



Between 1994 and 2008, U.S. GDP grew at constant 2005 prices by US\$4.4 trillion. **Mexicans contributed US\$307 billion to U.S. economic growth, that is, 7% in that period, a proportion higher than their participation in total population (4%).**

Source: SIMDE

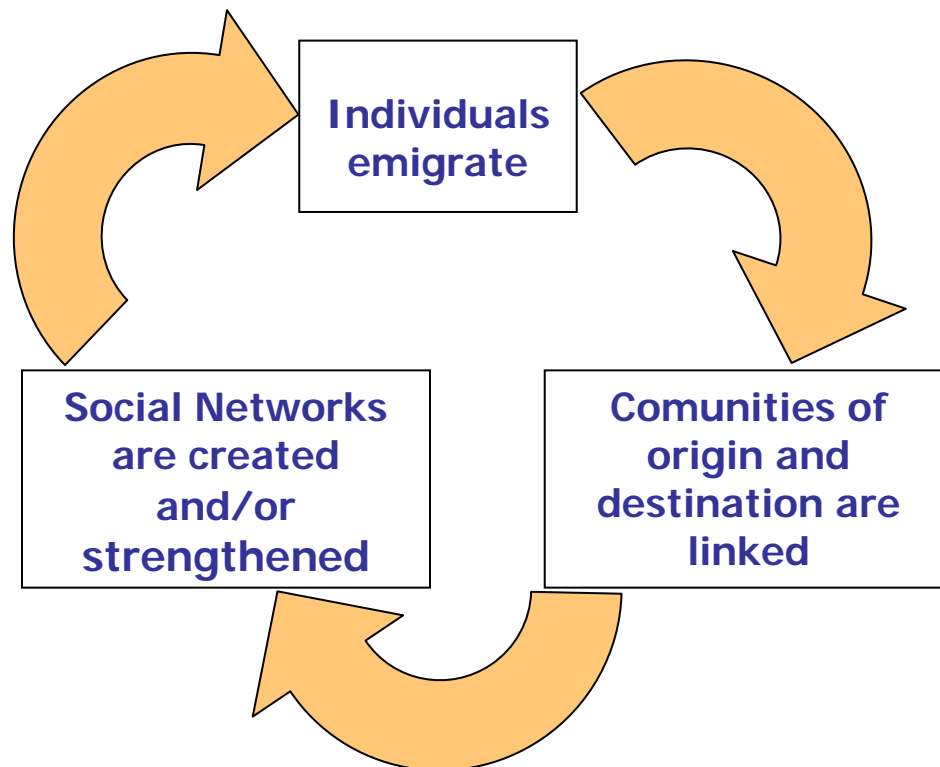
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Social networks lead to migration being more efficient



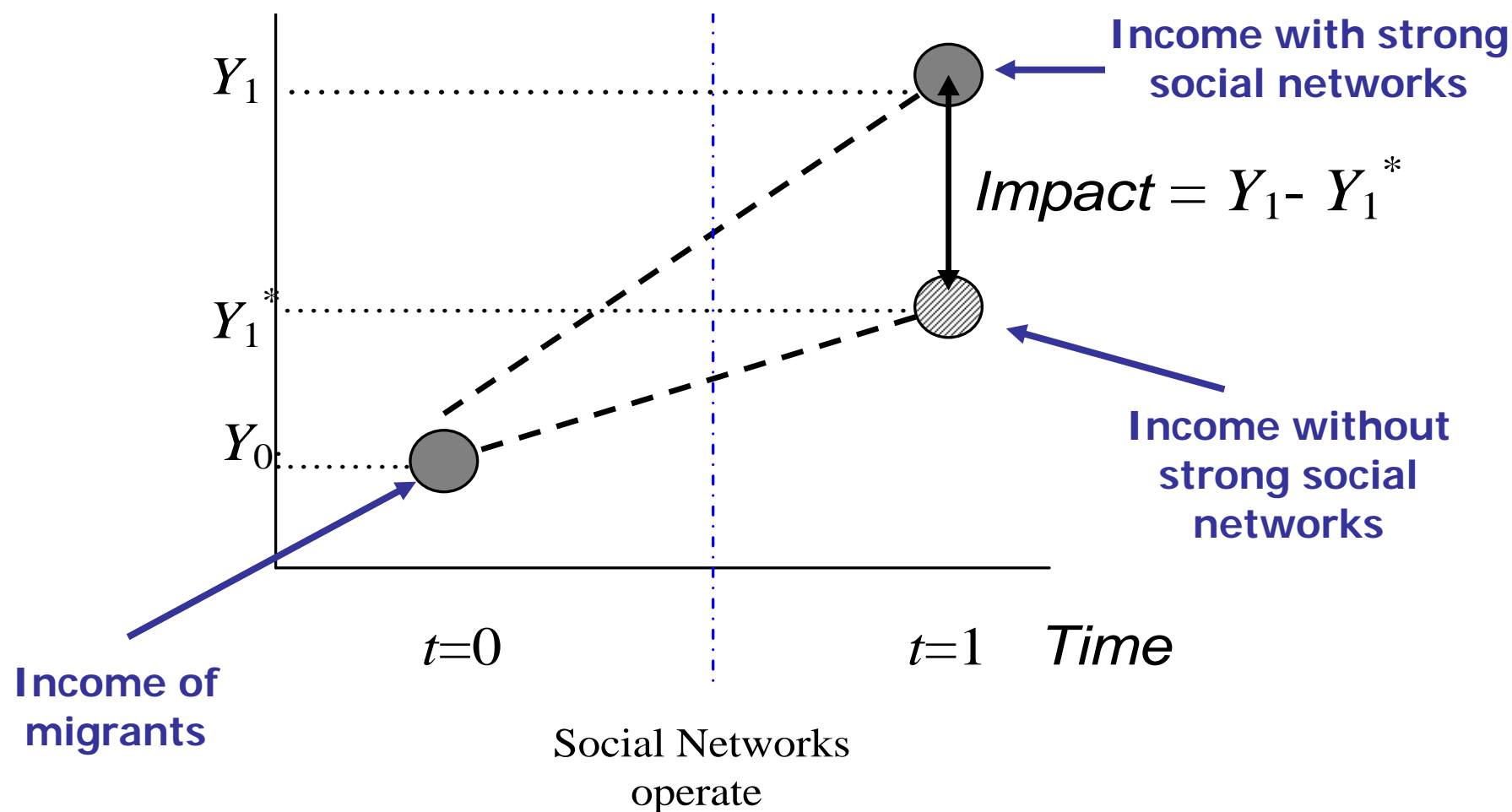
Source: BBVA Research, Mexico

- 1) Help reduce the economic and non-economic costs of migration
- 2) Makes it easy for native workers to move from not too productive areas to those of greater productivity
- 3) Facilitate adjustment between demand and labor supply
- 4) Reduce the need to return

Main effects of social networks found in the literature are in the following:

- Localization of migrants
- Probability of emigrating
- Employment (supply and demand)
- Income (less frequent)

We analyze the effect on income of having access to a relatively strong social network (as in medical experiments)



Source: National Survey of Rural Households in Mexico (ENHRUM) 2003 (most recent)

We compare Mexican workers in the U.S. with relatively strong networks to Mexican workers with weak or no networks

Strong social networks group	Control Group
People in the U.S. in 2002, whose hometown had in 1998 a proportion of migrants greater than 5%	People in the U.S. in 2002, whose hometown had in 1998 a proportion of migrants no higher than 5%



Summary of main results:

Strong social networks increase migrant's income in approximately 23%

- We find evidence that social networks positively affect the income of Mexican workers in the United States that have access to them
- Social networks have a greater effect on younger individuals
- There are greater effects for men
- Social networks benefit more workers with less skilled labor

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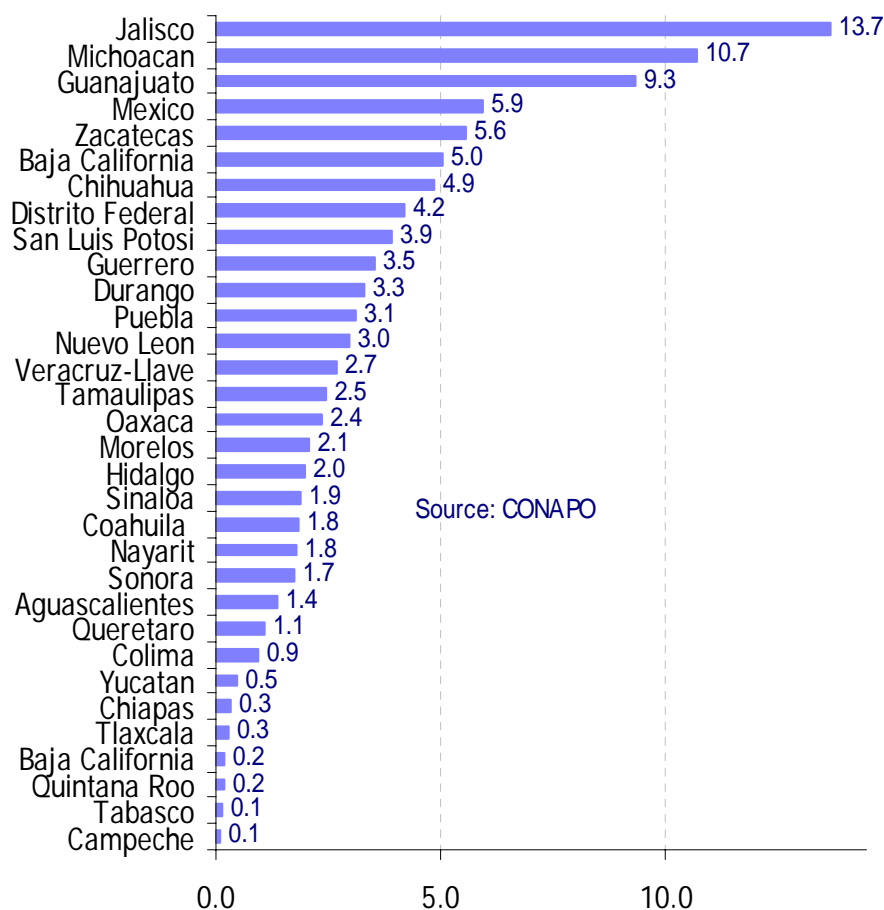
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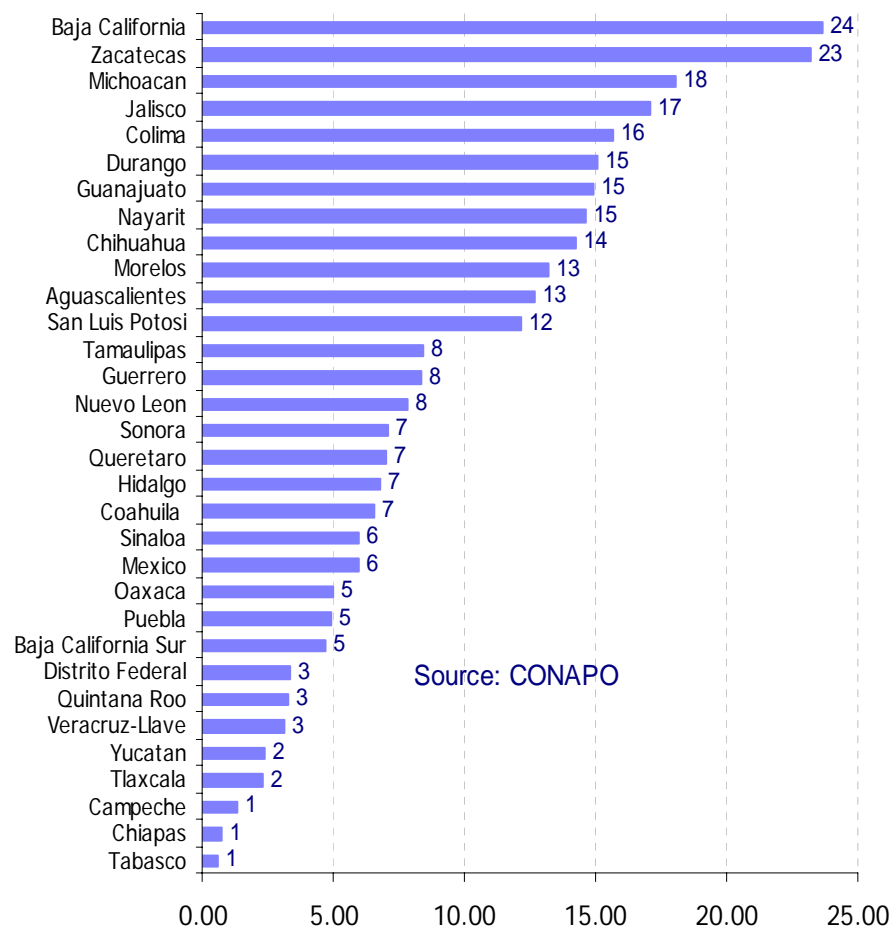
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**Distribution of Mexican Emigrants
to the U.S. by State
2003, %**



**Mexican Population in the U.S., by proportion
of the total state origin population , 2003, %**



Methods of estimation

- 1) **Regression techniques:** It is sought to determine which variables affect the income of Mexican workers in the U.S. Considering the manner in which these variables affect income and based on the information of the individuals in the sample, an estimated income is calculated, which after having considered the different variables that affect them, allows eliminating to a certain extent the effect of such variables, leaving only the possible effect of the social networks.

- 2) **Propensity Score Matching:** What is being sought is to compare the most similar individuals possible. It calculates an index that summarizes the different characteristics of people in the two groups (control and treatment). Thus, compared to individuals treated with the control group whose indices are very similar. This means that the analysis is performed as if the experiment had been random.

Results

For each method we used two statistical specifications for robust results.

Average effect of social networks on the income of Mexican migrants in the U.S.

Method	Specification	Effect
Regression	1	22.5%
	2	23.2%
PSM	1	14.9%
	2	22.0%
Average*		22.6%

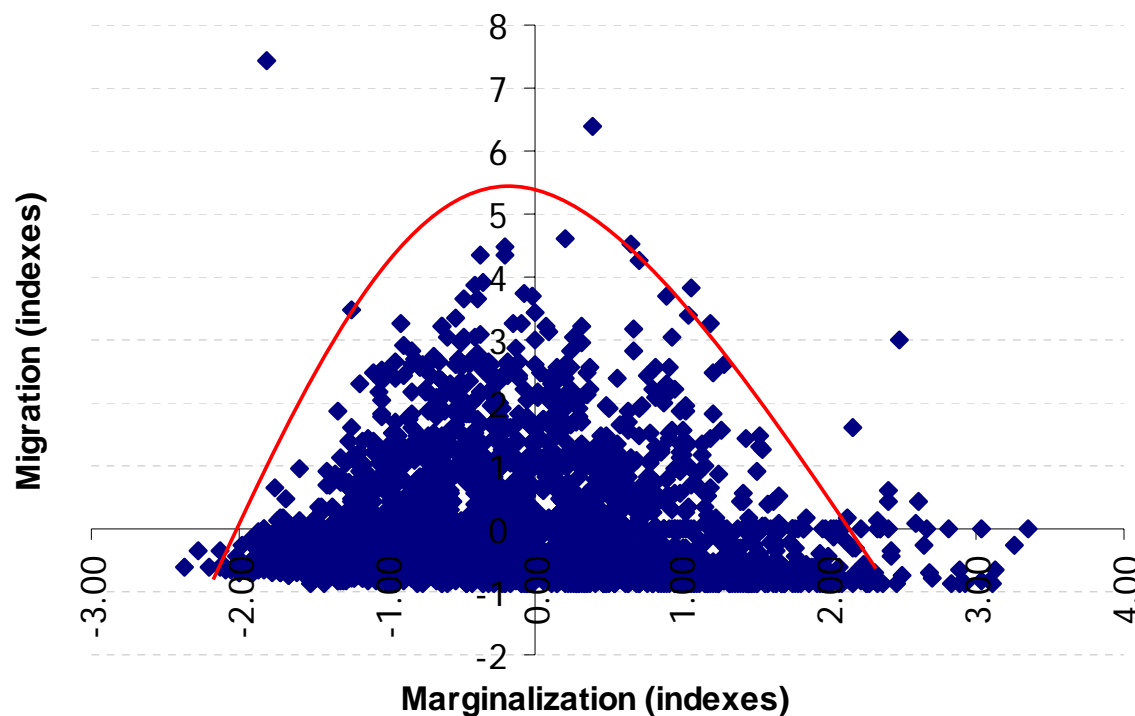
Source: BBVA Research, México, based on ENHRUM

Note: Coefficients in bold statistically significant at the 5% level

*Statistically significant results

The net migration pattern is followed in the municipalities

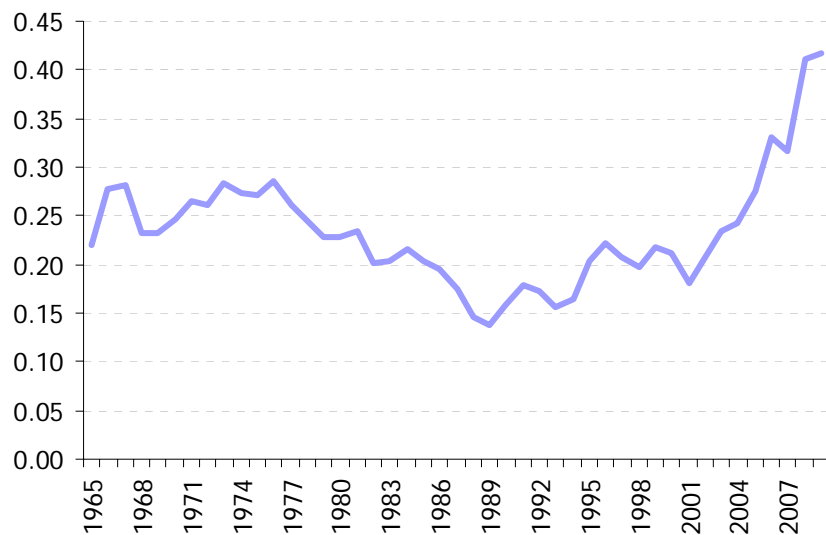
Marginalization vis a vis Migration on a Municipal Level in Mexico, 2000



Source: BBVA Research with CONAPO data

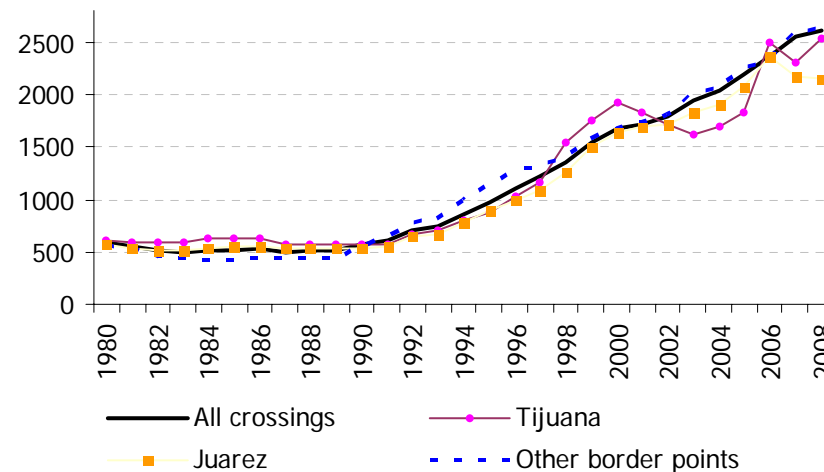
Costs of crossing has increased: From \$600 in 1990 to \$2,500 in 2008

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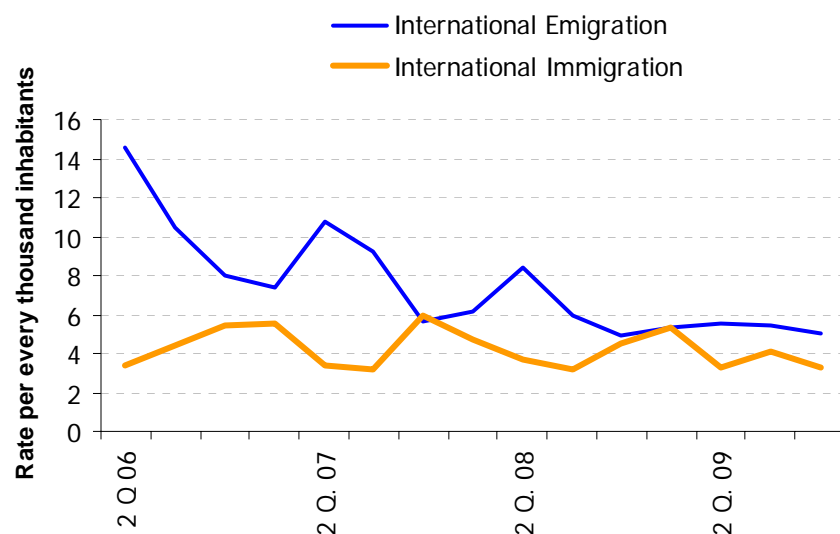
Source: Mexican Migration Project using MMP128

**Costs of Crossings to the U.S. by Undocumented Mexicans
2009 dollars**



Source: Mexican Migration Project using MMP128

Mexico: International Migration Quarterly rates



Source: INEGI, Estimates based on the National Occupation and Employment Survey, 2006-2009 data bases

Mexico: International Emigrants and Immigrants and Migratory Net Balance

	Emigrants	Immigrants	Balance
2007	901,984	448,421	- 453,563
2008	657,824	415,343	- 242,481
2009	556,805	420,150	- 136,655

Source: INEGI estimates based on the National Occupation and Employment Survey; Data bases.