Migration vs. development? The case of poverty and inequality in Mexico.

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Introduction

In Mexico, until quite recently, the government and the public remained fundamentally indifferent to international migration. To external observers this may seem hard to believe, since about 300,000 (net) Mexicans left Mexico every year\(^1\) in 1995, but it can be explained through a combination of factors. First, from 1964 to the late 1990’s, international emigration remained a minor phenomenon. Although emigration grew decade after decade, it was a largely rural phenomenon, and inhabitants of urban Mexico did not perceive departures of large groups to the U.S. Second, it seemed harmless. In terms of public perception, some migrants won and some lost, some stayed and some returned, some remitted large amounts to their families and some didn’t, but it was hard to perceive a systematic relationship between these movements and national development, other than the fact that if these migrants had more and better job opportunities in Mexico perhaps they wouldn’t leave. In other words, to both the government and the public, the relationship of migration to development was largely neutral, or in any case it was a one-way relationship, going from (insufficient) development to (modest levels of harmless) emigration. As such, it did not warrant significant policy intervention. This paper intends to show that this view is substantially mistaken, and that the migration – development nexus is, if anything, becoming more perverse in Mexico. Emigration is large. It lowers family incomes. It does have negative consequences on the labor force. And migrants’ prospects are worsening. On the other hand, however, policy interventions could both improve the relationship, in the sense that migration could serve national development, and help lessen the flows, to the benefit of would-be migrants and of past migrants, who would face less labor market competition in the U.S.

\(^1\) Binational Study of Mexico – United States Migration (1998).
Where we are: Current migration and its nexus to development

By 2005, it was estimated that 12 million Mexicans lived in the United States. Over one-half (56%) were estimated to be unauthorized in that country. Annual net migration was also quite large. It was estimated at 560,000 annually, although estimates vary between Mexican and US sources. Since annual documented immigration from Mexico in the United States has recently stood at under 200,000 per year, undocumented immigration grew faster (about 80% faster) than legal immigration. Mexico-US migration varies with the US business cycle. Annual flows rise and fall in close relation to US employment rates. Mexico-US migration slowed during the 2001-2003 period of relative economic and job stagnation, grew again in 2004-2006, and seems to have slowed significantly again in unison with the most recent economic downturn (Lowell, et al., 2008).2

Positive and perverse scenarios

Positive scenarios are those in which migration fosters development through two main channels: remittances and returns. Remittances (and savings) may contribute to development in various ways, as when migrants who have learned new skills and are able and able to practice and develop them upon their return. Both imply the continuity of links between migrants and their country of origin. But while returns clearly imply physical repatriation, remittances imply that the migrant stays abroad and that a significant social link between the migrant and the sending society persists. There are other channels through which migration may foster development. The most salient has to do with the development of mostly small-scale transnational businesses, such as those analysed by Portes and Guarnizo (1991) among Dominican immigrants in the United States. In the most positive practices to date (the development of an exceptionally dynamic IT industry in Bangalore), however, the situation is a complex one in terms of remittances, returns, and transnational enterprises. Some successful migrants return and bring their own and additional capital to

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2 Because, in 2007 – 2008, the yearly number of Mexicans immigrating legally in the United States has not proved sensitive to recession and the total number of Mexicans migrating to the United States has fallen considerably, the number of unauthorized Mexican immigrants has fallen more than proportionally.
invest; others remain abroad and partner with those returning, and both are combined with new technical and entrepreneurial skills.

But while the furthering of development through entrepreneurship, new jobs and economic activities is a core issue in development, so is the impact of remittances on poverty and inequality. Lowering poverty and inequality is itself a component of development, but it can also be judged to have an impact on economic growth through the development of markets and jobs at the bottom of the economic and social structure. Remittances are usually analysed as a positive financial inflow akin to those derived from exports. They differ from these for three reasons, however. Most remittances are sent to families, not firms, are mostly used for subsistence, not production, and they imply the export of labour, as opposed to goods and services. Because remittances are mostly sent to families, they are usually analysed as part of income, and of GDP, but from the point of view of household, not firm income.

Although most studies recognize that the impact of remittances is a question that must be analysed in each case, multi-government institutions and initiatives such as the Berne Initiative, the World Bank, the Inter-American Development Bank, the GCIM, the Puebla process and others, state clearly that most remittances are directed at poor households. Since remittances are treated as net income, analyses conclude that remittances tend to increase the income of the poor, reduce inequality and therefore to promote development. According to this argument, remittances must be protected because they are private transactions, the poor depend on them to survive, and they reduce poverty and inequality. A common point of comparison for remittances is aid. This is a significant comparison, for even though aid is criticized, it is conceived of as and uncompensated financial flow, and is intended to reduce poverty and promote development. But this view is substantially flawed. Remittances are compensated by loss of labor power.

The Organization for Economic Cooperation and Development (OECD) (2008) recently published a position paper that summarizes existing research on this issue. According to their review, a situation may exist today that may render the migration – development
nexus particularly difficult. In their view, lowest-income countries export mostly high-skilled labour, while middle-income labour exporters tend to export mostly low-skill workers. High-skill workers tend to migrate legally, which entitles them to take their family along and significantly reduces remittances. Lower-skilled workers, on the contrary, tend to migrate illegally, leaving their families behind at least for a certain period, and this increases remittances. As a result, very low-income countries would seem to be investing large portions of their GDP in the training of high-skill individuals, and then lose these workers with very modest remittances in exchange. In any case, those remittances that do arrive would tend to do so in more affluent families, which increases income inequality. For them, emigration is a perverse process that may further distance them from development, through loss of skilled manpower, economic and social sectors, and sheer capital invested in migrants’ skills. On the contrary, medium-income countries export persons in which the country has invested little in the way of private or public funds, and they tend to remit larger relative amounts, which would produce a significant net income for their (poor) families, thus reducing poverty and possibly furthering development.

Because of its proximity to the United States, which lessens the cost of migration, and the cumulative, social-networking effect of a century of low-skill emigration, Mexico would be among those most favoured by this situation. It is a medium-income country exporting low-skill workers who migrate illegally and therefore tend to remit more often than other migrants. As a result, poverty should diminish markedly in Mexico due to migration, and this is considered a developmental effect.

According to Mexican analysts, the impact of emigration (and remittances) in Mexico in general, and for development specifically, is significant. Tuirán (2002) finds that 16 per cent of all Mexican households had ties to emigration in 2000. His “migration intensity index” includes having immediate relatives in the United States, including one or more members with migration experience currently living at home, or receiving remittances. In rural areas the index is more than twice that of urban areas. One hundred Mexican municipalities where 22 million Mexicans reside receive 16 per cent of the total flow. Guadalajara (a municipality of 1.8 million inhabitants) is the second largest absolute
receiver of remittances. Between 1994 and 1996, and in his view as a result of the crisis of 1995, the number of households receiving remittances rose from 665 thousand to 1.07 million.\(^3\) Households that do receive remittances depend on them, on average, for half of their monetary income. Although they comprised only 5 per cent of all households in 2000, the potential disruption caused by a halt to cash flows would be catastrophic for them.

More significantly from the point of view of this paper, however, is that Tuirán asserts that three-quarters of those municipalities with a high migration intensity index have achieved very high, high or average falls in their marginality levels,\(^4\) as compared with less than two-thirds of other (low migration) municipalities. In other words, municipalities with closer ties to migration develop moderately faster in terms of the components of the index.

Other analyses point at improvements resulting from migration. Unger (2005) shows that poor municipalities with significant emigration converge upwards in terms of their per capita income over time. Adelman and Taylor (1990) find that the largest multiplier impact of remittances obtains in very poor, isolated communities. Cruz (2008) finds that incomes have risen dramatically (and poverty fallen) as a result of recent international migration in the Chatino community he studies, although he sees dependence on remittances, and rapidly decreasing agricultural self-sufficiency, as negative consequences of emigration.

Still other analyses underline the complexity of the interaction between emigration and economic growth. For Woodruff and Zenteno (2001), migration-derived investment in micro-businesses is significant and those investments moderately increase the productivity of the businesses. But these businesses are not located in sending communities. They are located in urban areas promising better returns to investment. This underlines the fact that, upon return, migrants seek the best places to invest, and these places are not isolated communities. A significant developmental impact of rural emigration is thus often not found in the communities of origin. Similarly, Arroyo and Papail (2004) find that the

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\(^3\) Sample error is large, because estimates are derived from a household survey sample of 10-15,000 until 2000. This means that remittance-receiving households in the sample numbered approximately 500 – 750. In 2002 the sample was doubled, and state-sponsored over-sampling has later improved that coverage slightly.

\(^4\) The marginality index was created by the Mexican government to identify political units (states, municipalities or settlements) with low development levels (see text explaining Table Three).
remittances of non-poor migrants to urban areas are higher than their wages previous to migration, and that those creating small firms (often shops) when they return employ themselves and an additional 0.6 persons. This is in agreement with the significant migrant investments that Escobar and Martínez (1991) found in Guadalajara enterprises in 1989: 10 per cent of the medium and large firms, and 16 per cent of the small firms, had either been created or enlarged thanks to migration savings and remittances. These proportions must have risen together with emigration. There are several possible lessons from these analyses. One is simply that migrant-derived investments in urban areas are quite common, and that policies and programmes aimed at improving the developmental impact of migration should not “trap” returning migrants in rural or isolated communities that promise few returns to investment.

The above is a small sample of a rapidly growing research literature that tends to show that there is a modest, positive impact of migration on development, from two points of view: total income in poor areas and socio-economic indicators in high-emigration municipalities. This paper contributes to this literature by relating the loss in labour force to emigration to the gain in remittances. It consists of five parts. First is the question of the “migrant-for-remittances exchange” in general and its meaning for Mexico. This analysis highlights the question of the national interest in migration and remittances. Second is the differential propensity to migrate according to socio-economic status. Thirdly, the question of the propensity to remit, and the determinants of the amounts remitted. Fourth is whether or not remittances can be considered a net positive income for the poor, from the point of view of the opportunity cost of emigration. Finally, an overview of recent developments, and their impact on Mexican migrants in the U.S., is undertaken.

The exchange of migrants for remittances

Labour migration can be analysed as an exchange of labour force for remittances. Although migration can have other benefits and costs, a country loses a certain amount of population, while it (through migrants’ families) receives remittances in exchange. Mexico is among the three top remittance – receiving countries in the world (World Bank). The following table describes the recent behaviour of remittances in Mexico:
TABLE ONE
Remittances and means of transfer, 1995 – 2007
Percentages, total (in billions of dollars) and rate of growth

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Money Orders</td>
<td>39.7</td>
<td>36.0</td>
<td>35.6</td>
<td>34.8</td>
<td>24.9</td>
<td>21.8</td>
<td>9.04</td>
<td>6.99</td>
<td>12.23</td>
<td>11.3</td>
<td>9.32</td>
<td>5.7</td>
<td>3.6</td>
</tr>
<tr>
<td>Electronic</td>
<td>51.5</td>
<td>52.6</td>
<td>54.2</td>
<td>56.2</td>
<td>67.1</td>
<td>70.6</td>
<td>87.5</td>
<td>89.64</td>
<td>85.8</td>
<td>87.3</td>
<td>89.3</td>
<td>92.8</td>
<td>94.8</td>
</tr>
<tr>
<td>Pocket, gifts</td>
<td>8.1</td>
<td>9.6</td>
<td>8.6</td>
<td>7.9</td>
<td>7.1</td>
<td>7.4</td>
<td>3.35</td>
<td>3.26</td>
<td>1.92</td>
<td>1.4</td>
<td>1.4</td>
<td>1.5</td>
<td>1.6</td>
</tr>
<tr>
<td>Other</td>
<td>0.7</td>
<td>1.8</td>
<td>1.6</td>
<td>1.1</td>
<td>0.9</td>
<td>0.2</td>
<td>0.11</td>
<td>0.1</td>
<td>0.04</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td></td>
</tr>
<tr>
<td>TOTAL (%)</td>
<td>3.67</td>
<td>4.22</td>
<td>4.86</td>
<td>5.62</td>
<td>5.91</td>
<td>6.28</td>
<td>8.89</td>
<td>9.81</td>
<td>13.26</td>
<td>16.61</td>
<td>20.03</td>
<td>23.74</td>
<td>23.97</td>
</tr>
</tbody>
</table>

| Annual Growth (%)| --    | 14.99 | 15.17 | 15.6  | 5.2   | 6.3   | 41.56 | 10.35 | 35.17 | 25.26 | 20.59 | 18.52 | 0.97  |


By 2005, remittances accounted for over 3.5 per cent of Mexico’s GDP, more than Foreign Direct Investment (FDI) and equivalent to one-eighth of total exports. In social terms, remittances were roughly 7 times the largest government cash transfer programme to aid the poor. Finally, remittances grew much faster than the number of Mexicans in the United States -- remittances rose 4.5 times between 1995 and 2005, while the Mexican-born population in the United States expanded by 71 per cent.5

Remittances can be placed in a better perspective if we asked whether migrants via remittances contribute more or less than their share of GDP. In other words, do remittances exceed what would have been generated if the migrant stayed home? Answering this question deals only with the national interest, and ignores the fact that migrants may gain from migration, such as winning immigrant status abroad and unifying their families in places offering better education and more opportunities.

5 Growth may be overestimated because it is generally agreed that there was severe underestimation up to 1995 and that estimates improved afterwards. After 2006, the flow has ceased to grow. It may in fact fall in 2008. The trend for the first seven months of 2008 is for the flow to decrease by approximately 2.9 per cent.
The following table shows the ratio of remittances per capita to GDP per capita in selected Latin American countries. It is based on an estimation of the sizes of Latin America-born populations in the United States in 2003, and per capita remittances from the United States. The base for this calculation is the entire population from a country in the United States, not just the working population. This is analogous to the calculation of GDP per capita, which is done on the basis of all, not only of those gainfully employed.

### TABLE TWO

**Latin America**

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>REMIT/GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Haiti</td>
<td>4.22</td>
</tr>
<tr>
<td>Bolivia</td>
<td>4.02</td>
</tr>
<tr>
<td>Brazil</td>
<td>3.88</td>
</tr>
<tr>
<td>Honduras</td>
<td>2.57</td>
</tr>
<tr>
<td>Colombia</td>
<td>2.24</td>
</tr>
<tr>
<td>Guatemala</td>
<td>2.17</td>
</tr>
<tr>
<td>Ecuador</td>
<td>1.57</td>
</tr>
<tr>
<td>Peru</td>
<td>1.20</td>
</tr>
<tr>
<td>El Salvador</td>
<td>1.19</td>
</tr>
<tr>
<td>Dominican Republic</td>
<td>0.80</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>0.74</td>
</tr>
<tr>
<td>Jamaica</td>
<td>0.60</td>
</tr>
<tr>
<td>Guyana</td>
<td>0.52</td>
</tr>
<tr>
<td>Venezuela</td>
<td>0.49</td>
</tr>
<tr>
<td>Argentina</td>
<td>0.40</td>
</tr>
<tr>
<td>Belize</td>
<td>0.39</td>
</tr>
<tr>
<td>Uruguay</td>
<td>0.33</td>
</tr>
<tr>
<td>Mexico</td>
<td>0.22</td>
</tr>
<tr>
<td>Trinidad &amp; Tobago</td>
<td>0.04</td>
</tr>
</tbody>
</table>


The per capita remittance to per capita GDP ratio is a function of several factors: the GDP gap between sending and receiving countries, the human capital of the migrants, their age/sex structure and labour participation rates, their income, their propensity to remit and the portion of their income remitted. One could also argue that other factors come into play to define the above. First is the migration pattern itself: legal migrants more easily take their families with them, therefore lowering remittances. Attachment of the migrants to
their sending families / communities / partners, and their assessment of their long-term prospects at home and abroad, are also key, as they influence permanent vs. circular migration. Independently of the legality of migration, it is reasonable to suppose that middle class families are less likely to depend on remittances, and they exert less pressure on their migrating relatives, although this may or may not be the case.

Mexico is among those countries with the lowest migration to remittance ratios. It is close to Uruguay, Trinidad and Tobago, Belize and Argentina. These countries exhibit migration patterns contrasting with Mexico’s. Their migration is mostly old, legal, and higher-skilled. In the case of Mexico, it seems that the very low remittance ratio is the outcome of low skill (which determines low-income jobs), lack of documentation (through less favourable employment conditions), and increasing family reunification in the United States, whether legally or illegally. My conclusion is fairly simple: unless one considers the migrant population as economically redundant to Mexico (i.e., unemployed or of extremely low productivity), then migration seems to be a net loss for the country.

The second question addressed here is the differential propensity to migrate, and to remit, by socio-economic status. Although the poorest Mexicans have not usually migrated in large numbers (see below), their propensity to migrate is rising because of the various changes taking place in Mexican agriculture, and the inability of Mexico’s urban economy to absorb them. This relates to development because the impact of migration is different according to the socio-economic status of the migrant. Assuming both high and low-socio-economic status migrants share a propensity to remit and return, high-skill migrants may contribute to development through the creation or expansion of small modern enterprises that profit from transnational links for transfer of knowledge, social capital among businesspersons, and new jobs. Low-skill migrants, on the other hand, should mostly contribute to development through poverty alleviation, a reduction of inequality, improvements in poor communities / neighbourhoods, and market integration of the poor. Although the relative loss of high-skill Mexicans to migration is large, the vast majority of the flow consists of low-skill persons. I will concentrate on them for this reason and
because if the poor have a higher propensity to migrate, then remittances may in fact favor poor households especially.

The marginality index classifies all states, municipalities and settlements according to a factor that rises with a number of indicators of poverty: lack of public services, proportion of indigenous population, and illiteracy. It is associated with income poverty, but is mainly used by the public sector to determine priorities in public works, and to allocate federal funds to states and municipalities. According to Zenteno (based on the Mexican census of 2000), the higher emigration rates (the proportion of persons leaving the household to go abroad during the five years prior to the census) correspond to medium marginality and medium poverty level municipalities:

<table>
<thead>
<tr>
<th>Poverty</th>
<th>Marginality</th>
<th>Emigration rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poverty rate</td>
<td>Marginality level</td>
<td>Emigration rate</td>
</tr>
<tr>
<td>Very High</td>
<td>Very High</td>
<td>13.8</td>
</tr>
<tr>
<td>High</td>
<td>High</td>
<td>25.4</td>
</tr>
<tr>
<td>Low</td>
<td>Medium</td>
<td>30.9</td>
</tr>
<tr>
<td>Very Low</td>
<td>Low</td>
<td>21.8</td>
</tr>
</tbody>
</table>


Further elaboration by Zenteno also shows that, in each municipality, the poorest households show lower-than average emigration rates. This explains why the contribution of international remittances to the aggregate income of the rural poor is low. This analysis is in some contradiction to other sources, however. A survey of Mexico’s poorest rural households (ENCEL, 1998, 1999) shows that migration rates and remittance-dependence rates are close to the national average (4/1000 per year). This rate is lower than the rural average, but still sizable. The diverging findings could be due to various reasons. One of them is that Zenteno’s regression analysis shows that the poorest households in each region...

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6 Various multidimensional aspects of poverty, except income.
migrate less than others, but the fact is emigration is rising in poor states and regions. The poorest households in each region may migrate less than others (or join the flow later), but the proportion of poor households participating in remittances and in the flows is rising. Another reason may be that increasing costs of migration mean that poor households migrate less frequently relative to their emigrant stock and the proportion of departures that have taken place more than five years before the census is larger, and therefore not registered. Long-term migration would be intensified by their illegal status, which makes each migration cycle riskier and more expensive. One final reason could be that the poor are tending to family reunification in the United States or away from Mexican rural areas, and that their emigration is under-reported to a larger extent than the emigration of other social groups. But this analysis must be qualified by an analysis of actual remittances.

The third question refers to the propensity to remit according to socio-economic status. There are at least two opposite forces impinging upon the poor’s propensity to remit, and the amounts they remit. The first is that they will tend to the lowest skill, lowest-pay, most casual jobs in the United States, with a tendency for them to stay in agriculture, where wages are lower. The other is that their families’ needs for remittances are greater. Janssen and Escobar (2006) analysed this question in detail. First is the subject of the role of remittances in the composition of monetary incomes in the income structure.

### TABLE FOUR

Structure of the monetary incomes of Mexican households in 2002, per adult equivalent in the household (%) (per income quintile)

<table>
<thead>
<tr>
<th></th>
<th>Wages and perks</th>
<th>Pension, retirement and indemnity payments</th>
<th>National remittances</th>
<th>International remittances</th>
<th>Transfers from social programmes, scholarships</th>
<th>Rent, sales, capital gains</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>63.47</td>
<td>1.73</td>
<td>11.39</td>
<td>3.33</td>
<td>15.99</td>
<td>4.09</td>
<td>100.00</td>
</tr>
<tr>
<td>Q2</td>
<td>78.03</td>
<td>5.04</td>
<td>6.00</td>
<td>3.92</td>
<td>3.78</td>
<td>3.22</td>
<td>100.00</td>
</tr>
<tr>
<td>Q3</td>
<td>83.11</td>
<td>4.84</td>
<td>3.72</td>
<td>3.16</td>
<td>1.73</td>
<td>3.44</td>
<td>100.00</td>
</tr>
<tr>
<td>Q4</td>
<td>84.15</td>
<td>4.96</td>
<td>3.54</td>
<td>2.11</td>
<td>0.87</td>
<td>4.38</td>
<td>100.00</td>
</tr>
<tr>
<td>Q5</td>
<td>81.48</td>
<td>5.83</td>
<td>2.34</td>
<td>1.35</td>
<td>0.60</td>
<td>8.40</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Source: Janssen and Escobar Latapí (2005), from ENIGH (National Household Income Survey)

7 The Census only asks for persons leaving or arriving in households during the previous five years.
Remittances make up a larger percentage of the total income of poor households, and their importance falls as income rises. Note that national remittances are larger and that they show a more pro-poor distribution. This is what has driven analysts such as Carton de Grammont (2003) to stress that Mexico’s rural poor have become a nomad class, at least from the point of view of their monetary income. But the table also shows that local wage incomes are much larger than both kinds of remittances. Table Six views income from a different angle, that of rural, semi-urban and urban households, to examine whether or not the emphasis on the Mexican rural economy and emigration is correct. The proportion of rural households receiving remittances is much higher than the equivalent proportion of semi-urban or urban households, especially in 2002. The leap in the number of rural households receiving remittances is remarkable. This may signal yet another recent rural international exodus, but the data should not be taken literally due to variation in sample composition between the two dates. But absolute remittance amounts per receiving household are higher in semi-urban and urban settings. In sum, it would appear that poor households (Table Four) and rural households (Table Five) have a particularly strong link to migration and remittances. This is in agreement with Tuirán’s migration intensity index (2002), which shows that a number of high-marginality (very rural) municipalities have high per capita incomes from remittances.

### Table Five
Remittance amounts, Mexican households, 2000 and 2002

<table>
<thead>
<tr>
<th></th>
<th>2000 Total</th>
<th>No. Households</th>
<th>Amount per H/H</th>
<th>Households with Remits</th>
<th>% Remittances per receiving H/H</th>
<th>2002 Total</th>
<th>No. Households</th>
<th>Amount per H/H</th>
<th>Households with Remits</th>
<th>% Remittances per receiving H/H</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural</td>
<td>1071815193.1</td>
<td>5373807</td>
<td>199.5</td>
<td>532628</td>
<td>9.9</td>
<td>1773666736.7</td>
<td>5806918</td>
<td>305.4</td>
<td>733916</td>
<td>12.6</td>
</tr>
<tr>
<td>Semi urban</td>
<td>729170122.8</td>
<td>3138922</td>
<td>232.3</td>
<td>210690</td>
<td>6.7</td>
<td>516335006.7</td>
<td>3166937</td>
<td>163.0</td>
<td>178072</td>
<td>5.6</td>
</tr>
<tr>
<td>Urban</td>
<td>2325878472.8</td>
<td>14939590</td>
<td>155.7</td>
<td>509175</td>
<td>3.4</td>
<td>2416.7</td>
<td>2416.7</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

12
A more precise assessment can be achieved, however, by an estimation of the impact of remittances on income distribution inequality expressed as the Gini index.

**TABLE SIX**

Gini coefficient, Mexican household monetary incomes, 2000 and 2002

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-remittances</td>
<td>0.5391</td>
<td>0.5113</td>
</tr>
<tr>
<td>Post-remittances</td>
<td>0.5276</td>
<td>0.5022</td>
</tr>
<tr>
<td>(\Delta=RS)</td>
<td>0.0115</td>
<td>0.0111</td>
</tr>
<tr>
<td>Kakwani</td>
<td>-0.2144</td>
<td>-0.2739</td>
</tr>
</tbody>
</table>

Remittances reduce monetary income inequality. Since the propensity to receive remittances is higher among rural households too, it could be said that this other dimension of inequality is also reduced by remittances. There is a substantial difference between the two samples (or years), however. The second year is less unequal to start with, and remittances, although larger, weigh less on the reduction of inequality. Other sources also point at a remarkable growth in remittances between these two years, as shown in Table One.

In sum, although it would seem that the poor migrate less (Table Three), poor rural households have a higher propensity to receive remittances. The amount per receiving household grows with a household’s other income, and in larger settlements, but it grows less than other income. Dependency on remittances is higher at the bottom of the income structure than at the top. Higher-income households receive larger remittances, but they make up a smaller portion of their total income. The higher propensity to receive remittances at the bottom of the income structure could be related to the circular migration pattern of the very poor: for decades, poor labourers from Southern Mexico extended their pilgrimage to Northwestern Mexico and to California agriculture for a few months, only to return home in the winter. Although this pattern has been quite real, all evidence points at a
considerable slowdown of this movement, the lower relative role of farm jobs, and the increase in year-round urban occupations for Mexicans in the United States.

The three preceding exercises, however, have a problem in common. They do not relate the loss in labour power to the gain from remittances. In other words, they assess what would happen if remittances stopped altogether, but they say nothing of alternative sources of income for the migrants if they had stayed. Do poor households show a higher tendency to receive remittances because their labour loss is higher, or is their loss lower, so that they gain more from migration than non-poor households? The fourth and final analysis in this section looks at the hypothetical effect on the Mexican income structure of an alternative allocation of household labour.

In order to do this, Janssen and Escobar (2008) estimated the opportunity cost of migration in terms of the income the migrant would earn if he/she had stayed in the community.8 The variables are: sex, labour experience, schooling level, occupational strata, indigenous status, marginality level in the community, size of community, and each individual state.

The final table intends to assess the impact of migrants staying. Note that the actual cost of migration (transport, illegal border crossing, time lost searching for a job) cannot be estimated from the source, but that would in any case reduce the net gain from migration.

<table>
<thead>
<tr>
<th>(Migrant Households Only)</th>
<th>No remittances</th>
<th>Observed</th>
<th>Opportunity Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>All migrants</td>
<td>0.73</td>
<td>0.53</td>
<td>0.49</td>
</tr>
<tr>
<td>Men Only</td>
<td>0.75</td>
<td>0.52</td>
<td>0.50</td>
</tr>
</tbody>
</table>

8 The census provides no data on pre-departure occupations, nor on the migrant’s schooling level. We therefore used household average schooling as a proxy for migrant schooling.
In other words, remittances reduce inequality, but non-migration reduces inequality even further. One additional point that can be derived from this table is that the impact of a sudden halt to remittances would be very large on remittance-receiving households. The Gini index before remittances is extremely high.9

A counterfactual has limitations. Suddenly bringing back six million workers to Mexico, especially to rural areas, would severely depress labour markets, although it would also allow employers to increase hiring and production. But this is all hypothetical. The exercise is estimated for all migrants and for men only, because the participation rates of women in rural areas are lower than men’s (although they have increased, and they are responsible to a significant extent for the rise in wage income).

The counterfactual allows a re-assessment of the first exercise, that relating remittances per capita to GDP per capita. Although for Mexico the exchange of migrant labour for remittances yields far less than average GDP, these migrants, although not redundant, would not on average earn close to the Mexican GDP in their hometowns. This is due to the fact that to a large extent they depart from low-productivity areas, they possess little human capital, and the occupations found in their sending communities are low-productivity occupations.

*Migration of the rural poor, poverty alleviation and development*

Some of the data analysed so far are clearly complementary. Rural emigration and the dependence of rural households on remittances are clear. But other facts seem harder to reconcile. The propensity of the poor to migrate is lower than that of other groups, although almost one-half of the rural young of 1995 have already left rural areas. Remittances to the poor are growing (400% from 1992 to 2006, and by a smaller but significant 40% between 2000 and 2002), but Mexico does not benefit from remittances as much as other Latin

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9 Although the R² is low in this final exercise (.438), it was decided that this was preferable to having a higher figure that in our view was less reflective of actual opportunity costs.
American countries. The finding of a close connection between rural poverty and migration is in agreement with studies by Tuirán (2002), which stress that a majority of the municipalities receiving highest per-capita remittances are high–marginality (and high poverty) municipalities. Remittances are most significant for the rural poor, but they still are not a major source of income to them, although some families depend on them. Wage income and government transfers are more important. Therefore, migration is not a significant factor lowering rural poverty or explaining rural economic growth.

These last few paragraphs of the socio-economic analysis section therefore attempt to make sense of these complexities. Further analyses can and should be made, but I believe the various trends can be reconciled through one missing piece in this analysis: the specificity of the migration process of the rural poor.

In a recently published study, Escobar (2008) has argued that the rural poor migrate in specific ways due to three factors: their financial constraints, the recent nature of their migration, which means they have little access to legal migration and their networks are only beginning to consolidate, and the specific nature of the social capital used to migrate.

Their financial constraints suggest that a significant share of their migration decisions is made as a result of dire need or catastrophic events. Migration needs to be undertaken because families lose significant assets or incur in significant debt, and families have no local resources to pay them, or to finance recovery. This in turn means they react to economic pressure rather than opportunity, and that they are less successful at securing reasonable jobs in the United States than migrants with more resources, or with consolidated networks, who have fewer constraints, and have a better chance of migrating when good job opportunities arise. These characteristics impact their migration process, and they are less able to remit significant amounts from the United States. Their financial constraints also mean they have to rely on money from relatives abroad or from local

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10 This observation is consistent with the New Economics of Labor Migration (NELM), which states that migration is significantly explained by the absence of, or lack of access to, credit and insurance markets. These would relate more closely to the migration of the poor than to the migration of other groups, since the poor are more subject to catastrophic events and they have less access to these markets.
money lenders. Help from relatives means those relatives (who are also likely to come from poor families, often the same one) also lose income, and thus are able to remit less. Obtaining resources from moneylenders means their net gains from migration are lowered significantly (interest averages 10% per month).

The recent nature of their migration means they have less access to consolidated immigrant job niches, and that mutual help in their social networks is often restricted to immediate family, thus lessening the resources they are able to draw upon. In addition, group inexperience often leads these migrants to depend on criminal or unreliable smugglers, which leads to higher total migration costs, or to failure to cross the border.

Finally, the specific nature of their social capital can be summarized in two traits: homogeneity, which means they usually lack the contacts to be “pulled up” to better migration opportunities and that the resources in their group are scarce, and “defensive closure”. Defensive closure is a mechanism developed by indigenous and peasant communities for centuries to defend themselves from tribute-demanding authorities and landlords. It means local identities and loyalties are reinforced, a number of mechanisms for the circulation of scarce resources among the group are developed, and large resources are invested in identity-and loyalty reinforcing activities and rituals.

In this context, successful migrants have significant incentives to flee, or to break-up from their families and communities of origin, further lowering the social capital of their relatives. Continuity of membership involves investing large resources and helping poor relatives and community members. Communities slow this process through identity-reinforcing mechanisms, lists of members in the United States, extending debt to family members remaining in the community, and control of the marriage market: in many indigenous communities, participation (and sponsorship) in the local festivities is a necessity, if a migrant member wishes to marry someone from the same community. This process is “defensive closure”. From the above analysis, defensive closure would seem to

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11 Smuggling persons across borders is a crime. In this paragraph, criminal means they are likely to steal from migrants, abandon them, detain them, or hold them for ransom until relatives pay additional amounts.
work effectively. In many communities, the immediate family of a migrant who has not contributed to festivities, or who has not repaid his/her debt to a local moneylender, see their rights and services reduced. But still, incentives to remain abroad and cut links are significant. This leads to three results: the emigration of the young often leads to the creation of new families in the United States. They find partners there or they invite them to join them, and their ties to their families of origin are lessened. Second, husbands (and their non-migrant wives) often prefer reunification in the United States. Returning to their poor community during their working lives is not attractive, although returning to retire is (all evidence points towards the extension of the migration cycle). Finally, some family members are “lost” to their families of origin, effectively cutting off all links.

In other words, poverty and the social organization of the rural poor seem to condition the migration process to a significant extent. This in turn means that the 10:1 earnings ratio in United States to Mexico earnings does not easily translate into significant economic improvement for migrants and their families. Nevertheless, migration is a process, and the social capital of the poor evolves in ways similar to the social capital of others. Successful migrants often do help their families; there is some pull-up of new migrants, and a few start successful agricultural or other businesses. Good jobs, and having access to good networks, can help them overcome poverty and “normalize” their migration process. But they face special difficulties to do so.

The impact of remittances on poverty and inequality can be summarized thus:

1) Remittances make a significant contribution to GDP.
2) Remittances, however, do not compensate the labour force lost to migration.
3) A preliminary approximation to the impact of remittances on poverty is provided by census evidence of low migration rates in poor areas, and among poor households, but this analysis could underestimate the emigration rates of poor households in particular.
4) The proportion of households receiving remittances is higher among low-income strata (which qualifies the evidence from 3).
5) Non-poor households receive larger absolute remittances than poor households, but poor households receive a larger share of their total income from remittances.

6) Remittances reduce income inequality, but poverty and inequality are lower in a no-migration counterfactual scenario.

7) The above could be related to the specific social process of migration among the poor, which does yield remittances, but does so in more difficult conditions than those obtaining for non-poor migrants.

Saying that the conclusions are mixed is not useful. From a development perspective, however, it is possible to state that, in the current context, migration may represent a net loss for Mexico. It seems to have a positive impact on poor, high-emigration areas, but the potential impact of this labour force in Mexico is greater. Is there a way to provide true opportunities to those considering migration, and to those considering returning to Mexico?

Other recent developments.

At the end of 2007, it became clear that the United States was entering a serious recession. This recession, which initially seemed to consist mainly of a housing bubble, became increasingly serious, and it became clear that unsecured financial instruments had triggered growth, but put the entire U.S. economy at risk. Mexican workers in the U.S. had entered the construction industry when it became a growth pole in the mid 1990’s. Average wages there were twice as high as in farming. As the construction bubble burst, however, Mexican workers were the first to be laid-off (Pew Hispanic Center 2008). Remittances to Mexico fell on account of the unemployment of Mexicans. As months and years went by, Mexicans found jobs, but typically they did so at lower hourly rates than before. Mexican workers in the U.S. were severely impacted by the economic crisis.

Secondly, state legislatures passed various types and kinds of legislation that have reduced the manoeuvring space of immigrants, particularly but not exclusively undocumented Mexicans. In the span of a few years, they have lost the right to obtain a driver’s license in most states and several states have prohibited the renting of properties to undocumented migrants. One bill especially (Arizona SB1070)

“Requires law enforcement to reasonably attempt to determine immigration status where reasonable suspicion of unlawful presence exists; allows state residents to sue state and local
agencies for noncompliance; creates a state violation for failure to carry an alien registration
document; and establishes crimes and penalties for trespassing by illegal aliens, stopping to hire
or soliciting work under specified circumstances, and transporting, harboring or concealing
unlawful aliens.” (NCSL 2010).

Federal Congress has not passed significant immigration legislation since 1997, but state
legislatures are the new actors in this field. In 2006, state legislatures introduced 570 bills,
approved 84 laws, and enacted 12 immigration-related resolutions. By 2009, the figure had
risen to more than 1500 bills introduced, approval of 222 laws, and enactment of 131
resolutions (NCSL Ibid.). The federal government sued Arizona on the grounds that
immigration law is within federal jurisdiction, and temporarily blocked enforcement of SB
1070. As can be seen, however, this is no longer the case.

But more significantly, the federal government has introduced programs (not laws)
actually performing the same function as SB 1070. In other words, state and local police
may now comply with state laws requiring proof of legal presence, stopping individuals for
no specific reason, and when the latter fail to provide it, they are smoothly transferred to
Immigration and Customs Enforcement for processing and removal/deportation under a
program designed for the removal of criminal aliens. In view of the difficulty of carrying
out significant immigration reform, in 1997 the first Binational Study of Mexico – U.S.
Migration had called on (??) the U.S. federal government to carry out administrative
changes to foster the normalization and legalization of Mexico – U.S. flows. That call went
mostly unheeded. In 2008-9, federal administrative changes served to turn illegal
immigration into an offense leading almost automatically to short – to – medium term
detention and deportation. According to Mexican consular officials, unauthorized migrants
arrested close to the border are held in cells containing four times the legal number of
persons allowed in them, which means there is standing room only; since persons can only
be held in those cells for 12 hours, they are rotated from one to another (identical) cell
every 12 hours. The procedure is repeated for three or four days, until they are released at
the border. Mexican immigration officials in charge of the reception of removed / deported

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12 Daniel Hernández Joseph, director of consular protection services, Foreign Affairs Secretariat (personal
communication).
Mexicans at specified points on the Mexico – U.S. border have repeatedly complained to the author that ICE and Border Patrol officials are routinely releasing maltreated, ill, disabled and indigenous monolingual migrants at times and places in which Mexican officials are not available to interview them. Few deported Mexicans realize that the new procedures practically bar them from ever becoming residents of the United States.

These legal and administrative changes are in addition to the strengthening of the U.S. Border Patrol to 21,000 agents, or three times its size in the year 2000, and expanding the border fence (or wall, as it is called in Mexico). Several places along the border now host three parallel walls. Border enforcement has led undocumented migrants to increasingly inhospitable places, which translates into higher risk for them, and into the nearly absolute need for a “pollero” or “coyote”. In consequence, the mortality rate of unauthorized border crossers has risen visibly. The CRS estimates that the deaths – to apprehensions ratio stood at 1.8 / 10,000 in 1997, and that it has risen to 7.7 / 10,000 in 2009, or more than 4 times. This trend is the combined result of crossing in more inhospitable areas and the increasing reliance of inexperienced migrants on criminal smugglers, who prey on migrants and sometimes abandon them in the desert if they can’t prove their relatives are willing to pay an additional amount for their safe arrival in the U.S.

Perhaps all the foregoing analysis explains why the undocumented stock of Mexicans in the U.S. declined slightly in absolute terms from 2007 to 2010. What the role of each factor may be, however, is a trickier problem to answer.

**Concluding remarks: Migration for development**

This final section attempts to bring together the socio-economic analysis and the policy analysis to propose ways in which migration may have a greater impact on development in the future.

The Mexican government should not count on improvements in Mexico – US migration as a result of comprehensive immigration reform in the United States. It should instead act to
improve the migration – development nexus today, by influencing migrant supply to the extent possible.

To enhance its development impact, migration should diminish. This is so for several reasons. First is that Mexico – US migration basically consists of labour power transfers. Labour is a commodity, and diminishing its supply is likely to improve the ability of labour migrants to bargain for better conditions, whether with employers or in the US Congress. Better conditions will lead to more remittances for temporary migrants (not for those achieving regularization, but their life will improve in the United States). Second is that currently the supply is excessive. As said earlier, Mexican workers have suffered the most from the current contraction in the construction industry. They have been dis-employed from that industry in larger numbers than other groups, a tendency that may be worsened by increasing immigration enforcement and raids. Although net Mexico – US migration did slow down during the US recession of 2001-2003, it was less sensitive to that change, which probably means supply forces weigh more heavily on the Mexican flow than on others. Third is that the current wave of criminalization of unauthorized immigration has been helped by the perception that immigration is excessive, and that it is a burden on states’ social services that decreases service quality and resources available to others. An abundant supply leads social actors who rely on unauthorized immigrants to have the attitude that if a few are deported more will show up. They therefore do not oppose criminalization. If immigrants are harder to find, they may influence politics in a more positive sense. Fourth, a smaller flow is likely to be much better accommodated by immigration reform. Because of the current economic downturn, an immigration reform favouring large amounts of immigration is unlikely. Fifth and final, with the right incentives, would-be migrants and return migrants are much more likely to contribute to Mexican development in Mexico than they do from abroad.

Voting abroad is a priority. If Mexicans abroad are unable to vote in significant numbers because, as in the election of 2006, registration is close to impossible and the procedure requires competence in the handling of the internet, then they are not a constituency
proportional to their size and relevance in Mexico. Minimizing them as a constituency means elected officials can praise them but do little.

The question of migrant family access to all major government programmes is also central. Access to them can become an incentive to return and to bring savings back to Mexico. Housing is a family’s most significant physical asset. Saving to build or improve housing is still one of the major motives for migration. Access to housing funds and housing subsidies has improved since 2001, but the funds and subsidies are very significant (much larger than Oportunidades) and migrant families have little access to them, in spite of a few small, new mechanisms allowing migrants to pay their mortgages from abroad. Improving migrant access to these schemes is likely to lower emigration rates; to shorten their stays abroad, improve their life upon return, and to incentivate participation in Mexican labour markets and production.

Education and health are also major factors in migration, and they are both often cited as reason for permanence in the United States (by women, mostly). In Mexico, they absorb a very significant portion of migrant remittances. Improving quality and access in Mexico is likely to reduce their role as migration triggers. In this sense, it is a positive sign that both Oportunidades (US$ 4.5 billion yearly) and the Seguro Popular or Popular Health Insurance (US$ 2.4 billion), include among their beneficiaries a large proportion of migrant families. But both are having trouble with the registration of migrant and returning family members. The procedures for the registration of changes, of families moving, and for the fulfilment of co-responsibilities away from the communities of origin could much improve the net benefits of these programmes to these families. Seguro Popular, also, must show that it is in fact providing the health services it is heralded to provide. Waiting lists for hospital treatment have to be shortened, and it should be possible for families to easily register a returning household member. Mexican society in general is also becoming increasingly aware of the deficient quality of these services. It must improve.

Access to pensions and other schemes for the social protection of the elderly has improved, and the coherence of the various programmes in existence is increasing, as is coverage. But
they must soon arrive at full coverage of the target population. Protecting the elderly is crucial. Their number is increasing rapidly, and if they are not protected through income and medical treatment, they will weigh heavily on the economy of their children, thus worsening poverty levels. Although of a bilateral nature, Mexico must insist on pension totalisation. All this would do is provide migrants (not the government) access to the funds they have already paid into both pension systems.

Perhaps one means of improving coverage of migrants and their families is to open registration offices for Mexican housing and social (Cash Transfer, Health Insurance, Agricultural subsidy) programmes in the most frequent ports of arrival for returning migrants. A simpler solution would be to inform migrants of these programmes, and of the procedures for registration in them, in the *paisano* booths operating in most international arrivals. This of course does not mean that they would skip the required socio-economic tests, but it would make them aware of their existence and of practical mechanisms to affiliate and benefit from them. The registration offices or booths would then transmit a short version of the migrants’ application, and it would be up to local or regional offices to evaluate the families in question. In the case of housing, procedures must be significantly streamlined.

Announcing access to these programmes in US media would have the additional benefit of drawing migrants back, provided access is effective and open to qualifying applicants.

Social programmes, however, can only help to a point. Working in Mexico must become more rewarding. Productive programmes have increased their funding, whether in the agricultural or small-enterprise sectors. But access to these programmes is very elusive. Access is controlled through very diverse means, and this often results in deficient targeting and poor impacts. Better access, and better targeting, is likely to draw more migrant savings, return migrants, and to increase developmental impacts of migration. The same can be said of employment programmes. President Calderón’s original “first job” programme was not successful, and its successor must be implemented on a large scale.
Still better outcomes could be expected if significant immigration reform takes place in the United States, and if that reform is open to collaboration with Mexico for the management of that emigration. If all this happens, the Mexican government can target families with migration histories for temporary migrant programmes; provide specific incentives for migrants returning from urban Mexico or abroad; offer matching funds for productive rural development; design combined health risk protection packages for migrants, in which temporary Mexican migrants are able to access US basic health care but have effective access to more expensive procedures in Mexico if need arises; and collaborate with the United States through enforcement of emigration regulations.

But Mexico cannot rely on the materialization of this “best” scenario for policy reform. I hope this paper has shown that decisive unilateral reforms are both necessary and likely to bring about significant improvements in the migration-development nexus.

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