

## **Chapter I: Economic aspects behind internal migration**

When looking at the history of the economic development and its changes in Mexico, we can see the point at which the agriculture sector is strengthened, as well as when it loses the importance within the national economy. The beginning of the agriculture development as it was explained on the previous chapter, starts around 1930's when lands were redistributed and land exploitation rights were changed in order to rise the productivity of primary resources, products that would fulfil the international market demand, leading to the success of the agrarian sector. Moreover, we see that under the presidencies of Echeverría and López Portillo, the government's involvement in the economy increases, aiding and subsidizing the agrarian market (through protectionism) in order to sustain the agrarian market growth. The last of this protectionism agenda was under Lopez Portillo, after which it shifted to a liberalization of the economy that was marked by the macroeconomic crisis at the beginning of the 1980s. Then the ISI policy was established from 1940 to 1980 period in which the Mexico had the most sustainable growth in its history. This policy aimed to impulse the development of industries that were developed during WWII and reduce the need to import, amongst other aspects, showing favourable results. This policy allowed Mexico to progress, but, it did not represent a long-term solution. Even if at first it helped diminish the dependency to external economies on the long run it just created a change in such dependency. It is at this point when the agrarian sector demonstrates to be inefficient due to the change of structure and basing of off smaller landholdings, since the land could not be sold (it was passed on hereditarily) which made the production less efficient and rural unemployment levels grew.

It was estimated "that 35 per cent of the total urban growth between 1960 and 1990 was caused by rural migration" (OECD, 1998, 156). After, with the introduction of NAFTA we can see the full circle of liberalization of the market was completed, subsidies and other programs that supported the agrarian sector disappeared. The only thing was that the import on primary products was limited in order to avoid the agrarian market from suffering even more. Between 1990 and 2006 the inflation in product prices (of the top ten agrarian products) fell, and the value of the exported goods increased. Even if the agricultural sector seems to be a growing one, the imports on primary products have also risen to even higher levels than the exports created by the Mexican agricultural market.

Taking into account the background to the economic development we must keep in mind that the population flows might be triggered by the individuals' seeking an economic and social development. Also, they seek an environment with resources that allow them to increase their quality of life (Sobrino, 2012, 9). Even though the agricultural sector appeared to have been benefited by the economic liberalization, the development of the market also presented high levels of poverty amongst the rural population. It is important to take into account that not all regions of a country grow at the same time nor at the same rate, which means that some "regions expand first, acquiring more productive economic processes in order to reach higher efficiency levels" (Rivera, 2012, 8). We must keep in mind and understand which aspects might encompass the topic of economic development and functions as a pull factor of the population flows (or internal migration) within the country and more specifically Monterrey.

Through this we must understand that there should be a positive environment that will encourage growth so "urbanization can lead to higher GDP per capita because of higher levels of productivity" (World Urbanization Prospects, 2015, 34). In order to reach those higher levels of productivity, employment becomes a factor in play. Even more so when looking at globalized cities, since it is no longer the case that particular cities or countries concentrate on specific market, instead they diversify the labour activities required opening the labour market (O'Brien & Williams, 2010, 256). Equally, we must acknowledge and define the different aspects which generate development, thus offering a better quality of life for the population that migrates into Monterrey. When looking at the economic factors, seeing that these are not exclusive contributors to the triggering of population flows, since other non-economic factors may too play an important role. To facilitate the distinction between the different factors I will first assess the economic aspects with its different implications and then summarize the non-economic factors. All with the ends of showing how investment and economic development serves as a boosting factor to the migration flows to cities with higher productivity levels.

In order to clearly understand the two aspects which trigger migration, we must see which ones lay under economic factors and which others would fit under non-economic factors. To begin with the economic aspects, we will be assessing the productivity under foreign direct investment (FDI) and GDP, in order to fit this within the question of migration we will cross reference with the unemployment levels that these economic aspects encircle and finally the amount of money invested on urban infrastructure by the government of Nuevo

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145638

Leon and more specifically Monterrey. As more economic investments are made in a specific city certain agglomerations/ clusters are created in order to improve productivity, with this “improved amenities in a location may attract industry” (Lucas, 1997,9). Together there is a clear cycle like relationship which is created between the economy and internal migration. Then the non- economic aspects will have to do with quality of life, governability, and communication since “contact with migrants shows individuals that they may be better off in a place other than their current residence” (Curran, 290).

For this we must too assess the migration theories in which we can see that there are various ways in which migration may be justified and many social science disciplines have been elaborated different theories. These theories go from functionalists’ theories, under which we can see either the push-pull model or the neoclassical theory; also historical-structural theories, under which we can see the globalization theory or segmented-labour theory as well as many others. In this paper I will be talking about the push-pull model, a theory that bases off of an idea of gravity, in which the migration flows may be partially predictable based on population size, economic opportunities, distance, etc. (Castles & Miller, 2014, 28).

Another definition that we must take into account, it is based on global division of labour which demonstrates that the globalized cities have a more diverse market labour. This, similarly to what Adam Smith believed there is a benefit from a division of labour making a more effective process (O’Brein, Williams, 2010, 259), on the contrary there are other critiques that think that labour division is not natural and thus ends up.

Before anything we must take into account several things about the data that I will be using in terms of unemployment and GDP, since the data I will be assessing is from INEGI and CONAPO it only takes into account formal work. This becomes an issue since last year there was an estimate that there were 28,694,655 people that were part of the informal work sector, and even more so whilst thinking that this did not necessarily account for all the population, it is a mere estimate. So through this paper we must keep in mind that work of low skilled labour such as domestic workers is not accounted for in INEGI’s data.

We must understand the definition already given, describing these larger cities, now called mega cities or globalized cities, which appear to have gone through economic development and urbanization. As Saskia Sassen describes this phenomenon: it

concentrates on the city having a “global economic system”, being the centre to “transnational corporation and global communication “(2005, 30) and having as a key aspect the “hypermobility of capital and power of transnationals” (2005, 31). This mobility is due to the networks created between individuals, corporations and governments, in many cases these cities are home to the headquarters and the specialization of the service firms are set to provide for the larger companies. This ends up resulting in the “recapture people, workers, communities, and more specifically, the many different work cultures, besides the corporate culture involved in the work of globalization” (2005, 32) and it is through this that the regulatory role of the state has been diminishing. Through this description we can see that the economic aspects are a big part of the in both the determination of a global city as well as the migratory aspects.

When assessing the economic aspects, we will look into the salary disparities and social inequalities, since according to Robert E. B. Lucas “wage gap between rural and urban areas seems to persist and migration is an on-going phenomenon” (2014, 6). Although economic disparities are an aspect that forces individuals to seek better quality life else where, after migration, economic disparities seem to prevail in countries such as Mexico, where the economic gap between classes has been growing. Part of this is mainly because most of the economic gain and profit continues to benefit the already industrialized cities and the elites, causing a concentration of resources. This can be seen even after the implementation of NAFTA, which first expelled 25% of rural population into larger cities. Further on the expulsion of population declined to only a 19% of the population (Yúnez, 2010, 35). The turning point for Mexico is marked when its economy went from being primary one to becoming tertiary, based mainly on services as its main monetary resources but also giving certain importance to manufacturing.

The period in which manufacturing was the main source of national income was from 1995 until 2000. Aside from that the main sector that contributes to the national economy is the tertiary mostly based on communication, transport and construction respectively (Sobrino, 2010). As we saw before with the new agricultural reforms, unemployment and poverty levels grew so the rural population had to look elsewhere for new labour opportunities that would allow them to sustain their families. In part, this started the pull function into the metropolitan cities like Monterrey, which due to the settlement of industries had the resources to fulfil the employment needs of different individuals. When looking at the economic growth of a city we must consider the FDI as well as government spending, thus

allowing the GDP to grow, which then leads to a decrease of unemployment levels. As the labour market grows, it triggers and encourages immigration labour force since the benefits from migration may appear higher due to the infrastructure surrounding the same. The idea is that as more industries settle within a specific area, in this case Monterrey, there is more appeal for the government to invest in urban development. Better urban development represents better social, cultural, economic and physical resources for the population.

Moreover the government investment is then incentivized by the possibility to attract more companies to establish in these cities, more specifically in the metropolitan area resulting in lower rates of unemployment and a GDP growth. Which ends resulting in what was mentioned before as the globalized cities. Unfortunately it is not as simple since the employment depends too on the type of labour which is required meaning that there must be a demand for either skilled or low skilled labour. Recent studies have demonstrated that the main source for internal migration now a days is skilled labour, on the contrary when looking at data from INEGI we can see that a lot the countries population flow is conformed of population with no higher education completed. In this case it is important to see how much of Monterrey's economy is based on the services sector which in some cases would call for low skilled labour in higher quantities. This, thus reflect in the way in which FDI and GDP growth may serve as a pull factor for rural-urban migration.

To further understand the case of Monterrey we must first look at the process in which the development has occurred, and the way in which it has resulted in Monterrey being a global city. To begin Monterrey was founded in 1596, with its strategic location that facilitated the access to high consuming markets of both United States and Canada. Monterrey's development did not have a significant growth until the middle of the nineteenth century, first as a trade centre and then industrialization. Population began to rapidly grow, brewing companies where set opening way to enterprises that would supply paper, cardboard, glass bottles, cans, etc. At this moment the industrial area began, clusters began to form and the metal industry began to grow after the 1900. To sustain the inflow of capital policies where established, and there was a high investment on education, housing, and health creating a worker friendly atmosphere, one that appealed migrants. We can see though all of this that the development that occurs in different cities can be sustained with a well off economy, for the same reason we can assume that states with better economies may develop faster and trigger migration. Nuevo Leon was able to

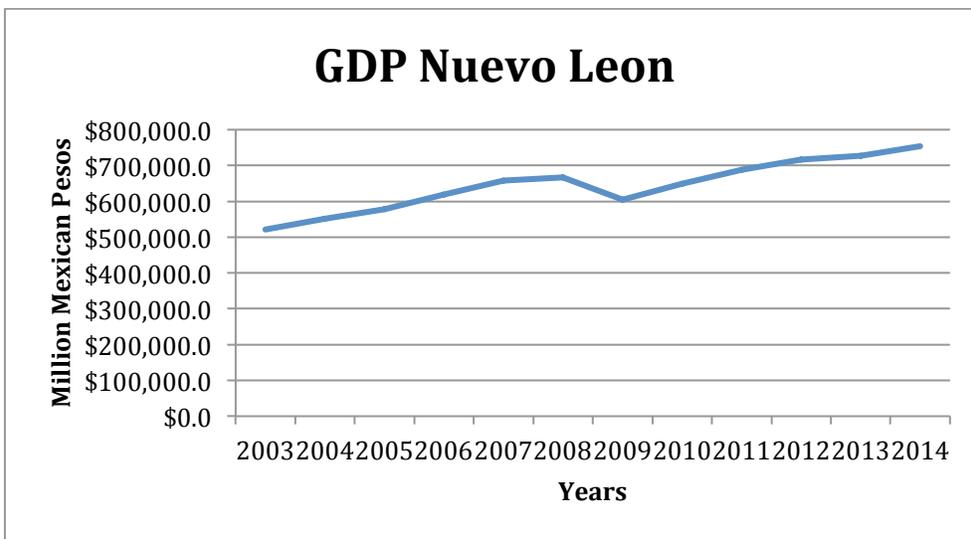
Maria del Carmen Serrato Gutierrez  
145638

create conditions that benefited companies and thus have a better economic intergation and better growth (Corrales, 2005, 134).

This is important since we can see which are the factors included when talking about the GDP growth and the way in which this may demonstrate not only economic growth but also economic development. Since as it is stated in the World Bank “economic growth is central to economic development” (2016). When we look at the data from 2003 out of the total national GDP the 67% was concentrated on the tertiary economic sector, and Monterrey’s contribution to the National GDP was of 6.6% (Sobrino, 2010, 137). Thus on the following chart we can see that there has been a general growth through the years.

Graph 1

Total GDP of Nuevo Leon 2003 - 2014



Source: created with information from INEGI 2015

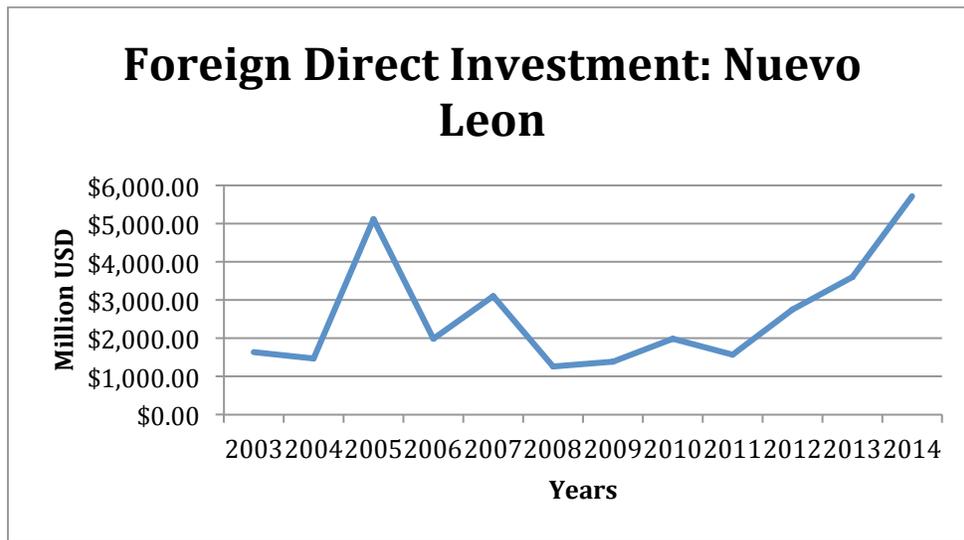
In general we can see that there has been a constant growth in Nuevo Leon’s GDP, and we must consider that Nuevo Leon is commonly one of the highest contributors to the national GDP. In recent years Nuevo Leon was stated to be exactly the third highest contributor (7.3%) right after Estado de Mexico and Ciudad de México, most of its economic contributions come specifically from Monterrey and more precisely the metropolitan area (INEGI, 2015). When we talk about the unemployment or the generation of labour parallel to the GDP levels we should take into account the monetarist aggregate

Maria del Carmen Serrato Gutierrez  
145638

demand diagram which explains that there is a positive relationship between output (GDP) and employment in terms of aggregate demand. In specific it explains the way in which as there is a fiscal expansion there would be an increase in both output and employment. In the case of Monterrey and assessing the data from 2015 we can see that the unemployment level was 3.7% whereas the national average was of 4.2% (STPS, 2016,1). Demonstrating the correlation between both increase in productivity and employment rates, which can too be connected to both the FDI and the GDP increasing.

When we talk about FDI especially after the GDP we must know that it shows a similar trend, since after all, the receiving FDI needs to be taken into consideration to establish the GDP growth. The only difference is that through this we find how much foreign capital is being poured into the market. Leading to a higher output which means it needs an increment of labour in order to reach the increment in output. The idea is that the with better economic and bureaucratic conditions placed in Nuevo Leon, more companies established there. All through Mexico transnational companies, that played a big role in the international economy, established, further triggering local and national development and changing the demographics of Mexico (Corrales, 2005, 135). It is around the big transnational companies that smaller ones have created a cluster order, allowing smaller companies to participate in the international economy. Thus, due to the importance of the FDI we will be demonstrating the same years represented in Graph 1 but now concerning the FDI in Nuevo Leon .

Graph 2



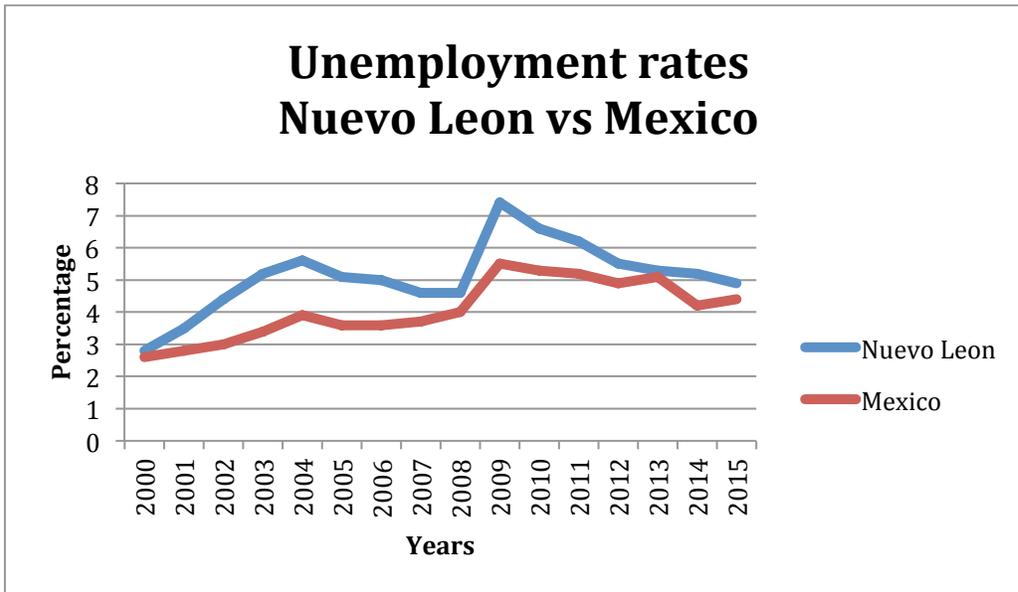
Source: graph created with information from INEGI 2015

Having seen both graph we can see a common growth from 2009 onwards, the decrease seen on both graphs from 2008 to 2009 reflects the depression of 2008 in the USA. Due to the dependency of the Mexican economy to that of the United States of America it made a difference not only in the FDI but on the GDP as a whole, since most of export products have as a destination the USA, at the same time we can see that foreign companies affected in USA have factories in Mexico. Also since Monterrey is a city in which many international companies have established. Still from then on we see a constant growth that has been maintained up until today. Although the numbers are not represented on the chart last year 2015.

Continuing with the economic aspects and returning to the data on unemployment rates, which may relate since the idea is that the more output there is then the more employment will be needed in order to reach such output. The problem with this not only rests on the informal labour but also on the population growth that occurs within Monterrey but that aspect will be assessed in the following chapter. For this part we just seek to look at the patterns of unemployment and their relation to the GDP and the FDI trend.

Graph 3

Unemployment rates Nuevo Leon vs Mexico's médium 2000 - 2015

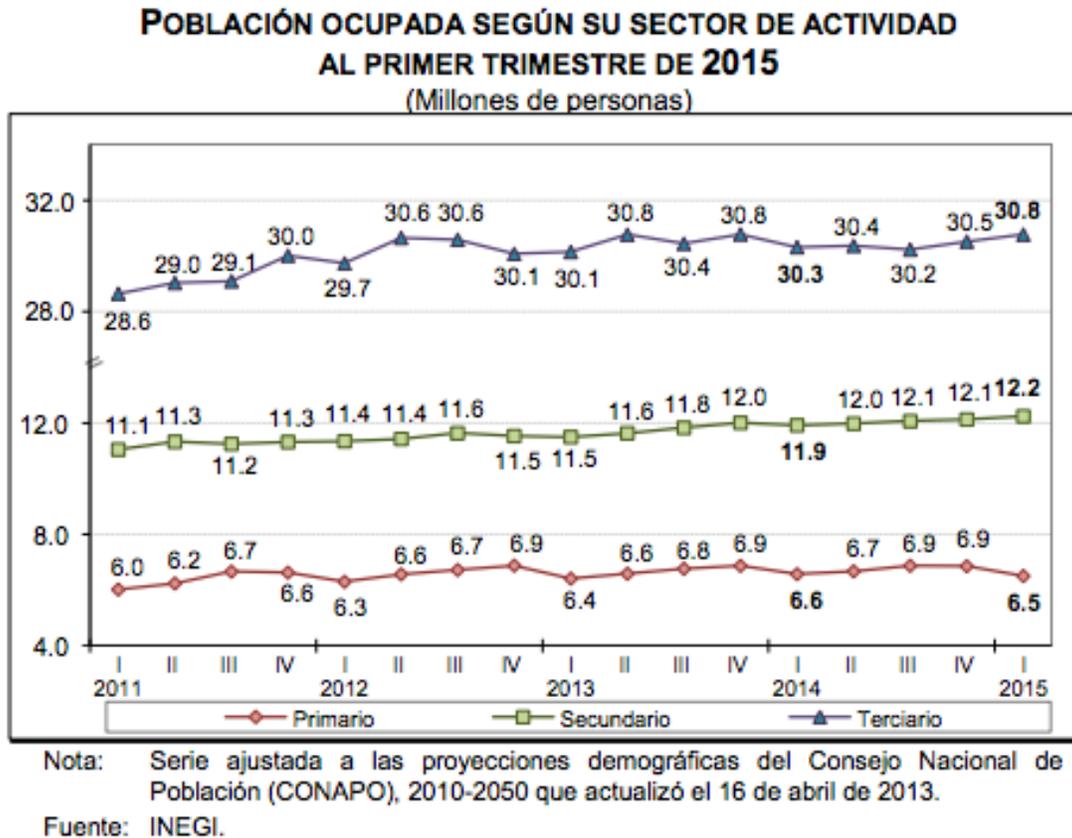


Source: graph graph created with information from INEGI and CONAPO 2015

Under this chart we see a similar trend from the data demonstrated previously demonstrating the 2008 crisis, causing unemployment level to skyrocket by 2009 when Mexico began feeling the resentment from its dependence on the United States economy. Together with the data that has been exposed previously and this numbers of unemployment we can see that there is definitely a correlation since the higher the output is, the more labour will be requires by the industries. The population and their occupation sector has demonstrated a shift through the industrialization of the Mexican economy which has resulted in a concentration of the economic activity on the tertiary sector. The main reason for this change in economic structure in Nuevo Leon was to establish services that would supply the different companies with what they need.

Economically active population according to the economic activities sector first trimester

Graph 4



Source: INEGI

Where, primario: primary sector, secundario: secondary, terciario: tertiary. And the numbers shown are represented in millions units.

On graph 4 we can see that the most important sector by far is the tertiary sector which when looking at history, has been a sector that boomed and recently has slowed down its annual growth. On the same note the primary sector, which is the smallest sector in Mexico has no longer continued to fall on the contrary it has been maintained at the same level and even show partial growth. This is important because we can assume that the population on the rural area has also maintained itself and although it is still a significant contributor to the migration flows it is not as large as it was in past decades. Looking at Nuevo Leon on previous data previously mentioned we can see that it fits together with the national trend, having the tertiary sector being the largest one and the primary the

smallest with only 0.65% of the total economic activities.

When looking at the economic aspects of the hypothesis we need to take into account the salaries that might be seen as one of the main reasons for people to engage in rural-urban migration. "The income differences between the urban and rural sectors are very strong" (Gollás, M., 1), making the salary factor one of the main reasons why people decide to migrate. This aspect is important since not always it is the unemployment aspects which drives the population away from certain geographical places, instead it is the idea that better conditions can come from migrating to places like Monterrey. So when we look at data from 2010 by the Consejo Nacional de Salario Minimo (CONASAMI) concerning the average of the minimum salary we can see that it holds the 4<sup>th</sup> place in the highest average of minimum wages. This way through population mobility "migration can give migrants enhanced access to social, human, and financial resources (Castles & Miller, 2014, 78). Which is why it is important to take into account the minimum wage salary that has been applied in Monterrey over the past years up until today.

In order to understand the aspects concerning minimum wage we might want to see that there the way it had been in past years was that the different states were placed under three different groups. It was depending on the group that the minimum salary was set, in this case Monterrey was placed not in the highest minimum salary but on the middle one. It was until 2013 that the minimum wages were now split into two groups and Monterrey not only was placed in the higher one but compared to the past minimum salary, Monterrey's salary grew.

Moving to the non-economic aspects we must understand that "improved amenities in a location may attract industry... results in employment expansion or higher wages" (Lucas, 1997, 9). As it was stated in "Regional Analysis of internal migration" one of the key aspects is that of transportation which may easily be placed under the title of infrastructural development, an aspect that not only appeals the individuals but it also to investing companies. As it is stated by Saskia Sassen part of the aspects that appear within global cities in terms of transportation may cover from "rapid rail and highways" (Sassen, 2005, 37) creating a facility of movement and connection within the city. Under this statement we need to consider the fact that Monterrey is one of the three cities which have a metro and a light train (aside from Mexico City and Guadalajara).

Maria del Carmen Serrato Gutierrez  
145638

Continuing with the topic of non-economic aspects concerning possible triggers for internal migration we see urban development. An aspect that covers many parts which focus on solving different problems within society such as: transport, water, health care, sustainability, and households (electricity education etc.). Under this aspect we can go back to the definition given by Castles and Miller (Castles & Miller, 2014, 12) stating that migration occurs partially due to the need to seek better living conditions, and as the urban development is improved by the government (through investments in structure) creating a higher appeal to migrate. But there is more to connect to the urban infrastructure since the more the government invests in infrastructure this too means that it is appealing for foreign companies to settle, which is why the geographic phenomena of clusters and agglomerations have been created.

An important aspect that I will be assessing is that of transport since it is a facilitating factor for mobility within a city making commuting much more easy as well as economically available. This aspect an important aspect to look into since when it comes to public transport in Monterrey, we can see that it is one of three cities which have a metro as well as the light train. This allows connectivity within the city much more faster or easier and cheaper; also important to take into account that more of the people with lower incomes are prone to using the public transport. Now since the so called Megacities have been established it is more concentrated on the needs of the industry seeking to establish within the city. Which has led to what we previously mentioned the agglomerations clusters a way in which industries look to settle close to other places that serve them some way or another in terms of goods or services. In the case of Monterrey we can see these with the same of "parques industriales", easing the communication and distribution process between the customer and the seller.