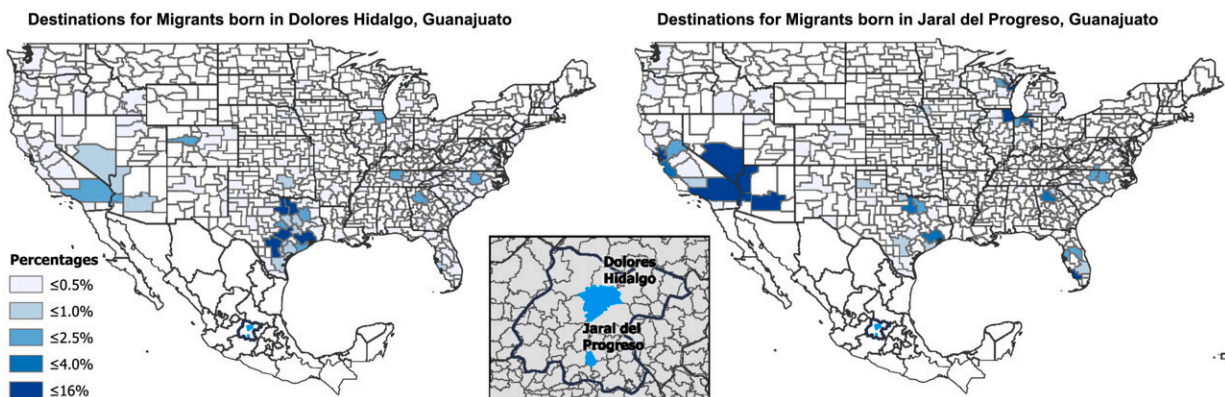


US labor market can affect 'people who are not even here'

April 27 2024, by Daniel Long



Example migrant destination distributions for two municipios. These maps show the distributions of US destinations for migrants from two different municipios located in the state of Guanajuato: Dolores Hidalgo and Jaral del Progreso. Dolores Hidalgo tends to send migrants to US destinations that experienced relatively mild labor demand declines, while Jaral del Progreso tends to send migrants to US destinations that experienced large labor demand declines.

Credit: *Journal of International Economics* (2023). DOI: 10.1016/j.jinteco.2023.103832

That the job market in Phoenix can affect a child's education in Mexico may strain credulity, but it's nevertheless true, according to a recent paper co-authored by Brian Cadena, a University of Colorado Boulder associate professor of economics.

People from specific regions in Mexico tend to migrate to specific regions in the United States, and when U.S. work dries up in some areas, those migrants tend to return to Mexico, Cadena and his co-authors, María Esther Caballero of American University and Brian K. Kovak of Carnegie Mellon, found.

Their paper, [published](#) in the *Journal of International Economics* in November, explores the U.S. [labor market](#)'s influence on the lives of people in Mexico by comparing how neighboring Mexican counties, or "municipios," fared during the Great Recession.

To perform their analysis, Cadena, Caballero and Kovak drew upon data from the Matrícula Consular de Alta Seguridad (MCAS), a governmental organization that issues identity cards to Mexican migrants.

Unlike either the U.S. or Mexican census, MCAS provides in-depth, granular information on migrant workers, specifying the municipios they leave and where in the United States they settle.

MCAS is a treasure trove, says Cadena. But it wasn't long ago that researchers didn't know how to use it. Cadena, Caballero and Kovak changed that with [another paper](#) they published in 2018, which validated the MCAS data and thereby opened up a whole range of potential research.

"This identity-card data really allowed us to drill down and make tight comparisons between municipios," says Cadena.

The strength of networks

A key finding that emerged from the MCAS data is that people from the same municipio often move to the same cities and states in the United States. "People follow their networks," says Cadena. And these networks

are so strong that migrants from nearby municipios often end up hundreds of miles apart in the States.

Migrants from the municipio of Dolores Hidalgo, for example, tend to move to Texas, while those from nearby Jaral del Progreso generally relocate to Chicago, California and the Southwest. Same region in Mexico, different time zones in the United States.

The close proximity of the municipios is important for the kind of research Cadena, Caballero and Kovak are doing, Cadena explains, because it cuts down on confounding variables. Neighboring municipios experience the same weather, suffer the same droughts, follow the same or similar laws, etc., which means differences in their economic outcomes are likely due to something they don't share—the job market in the cities and states where their migrants moved.

To unearth these differences, Cadena, Caballero and Kovak measured the job-market losses in the U.S. regions linked to each municipio and then compared the economic outcomes in the municipios connected to harder-hit regions to those connected to softer-hit regions.

As it happens, labor demand in Texas survived the Great Recession relatively unscathed, so the municipios of the migrants who ventured there remained stable. The American Southwest, however, suffered some major blows, and so the municipios connected to that region exhibited several changes.

(Un)expected observations

Some of those changes were unsurprising, says Cadena.

"When work dried up, more immigrants returned to Mexico, and fewer new immigrants came from that source community." This then led to a

fall in remittances, or money transfers from [migrant workers](#) to their families back in Mexico.

Yet Cadena, Caballero and Kovak also observed some changes they didn't expect. One was that more women joined the Mexican workforce.

"This is called the added worker effect," says Cadena. "When the primary earner of a household"—in this case, the migrant laborer—"loses their job, it's a common reaction by the household to say, 'Let's send someone else to work.'"

Another unexpected change was a drop in school retention. "We found some suggestive evidence that a loss of jobs in the United States reduced investment in schooling in Mexico. We saw more schooling dropout, especially at transition ages, when kids move from one level of schooling to the next," says Cadena.

Blurred lines and better choices

What do these findings suggest about the perceived separation between these two countries and their economies?

It makes that separation "a little fuzzier," says Cadena.

"One of the things we're finding is how connected these two economies are. On the one hand, the stark differences in what someone can earn and what the labor market looks like in one country as opposed to the other suggests that we have made the separation between those countries real and meaningful. On the other hand, we are certainly not islands."

Realizing this, Cadena believes, could inform policymaking, specifically regarding immigration.

"When we're thinking about [immigration policy](#)—when we're thinking about all these things that affect the low-wage labor market—we are making policy that has a real and noticeable effect on the lives of people who are not even here," he says.

"I'm not a politician, but I think that a more holistic sense of all the impacts of the choices we make as a country could help us make better choices."

More information: María Esther Caballero et al, The international transmission of local economic shocks through migrant networks, *Journal of International Economics* (2023). [DOI: 10.1016/j.jinteco.2023.103832](#)

Provided by University of Colorado at Boulder

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