

Root Causes and Implications of International Migration for Sending and Destination Countries: Lessons from the Mexican-U.S. Experience

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Abstract

The Mexico-United States migration processes underwent a new boost upon the shift to exports in the Mexican economy, particularly after the North American Free Trade Agreement (NAFTA) was signed and enforced. Although the long history of Mexican migration to the United States began at the end of the 19th Century, it was not until the last 25 years that the rate of migration became particularly high, to the extent that Mexico became the largest source of migrants in the world. The change was not only quantitative, as it followed qualitative changes in social relations across national boundaries. To name but a few of these qualitative changes, involving Mexico: a) a shifting of the economic structure in the U.S. created a new migration geography; b) money remittances grew exponentially to become one of the major sources of foreign income in the country; c) the profiles of migrants show a remarkable contrast with the traditional stereotypes; d) major variations in the migration pattern disrupted the preponderance of circular migration and the predominance of male participation in outflows; e) Mexico climbed to the top among the countries with the highest rate of emigration in the world; and f) as a counterpart to the exponential escalation in migration, the last decade also reveals a marked and troublesome depopulation trend. The purpose of this paper is to discuss the context and features of this new phase of northbound Mexican emigration.

Keywords: US-Mexican migration, Precarization of labor, Economy, Development, Remittances.

The paper attempts to determine some of the factors associated with the maquila businesses in Mexican economy (as a key aspect of the new trend towards the internationalization of production), which operate as engines of the new migration. A reference is made to the severe impingement on both the living and working conditions suffered by most of the Mexican population, as evidenced by the dislodgement of peasant or small farmers and urban workers as well as the weaknesses of the country's labor markets as a whole. Secondly, in an attempt to highlight the historical nature of Mexican migration, its major stages as they relate to the national accumulation process and the modes of incorporation into the U.S. economy are outlined. Thirdly, based on these large assumptions, an overview of the most representative indicators of the quantitative and qualitative transformations that Mexican migration to the United States has undergone is provided, with particular emphasis on the labor outflow. Finally, in order to assess the implications of Mexican migration to the U.S. economy, selected—often overlooked—empirical evidence regarding the contributions of Mexican immigrants to the U.S. economy and the costs of emigration for Mexico are offered and put into balance.

1. Root Causes: The Mexican Economic Collapse and Labor Precarization

As of the 80's, and more intensely since NAFTA, a powerful macro-economic policy implemented by Mexico favored the growth of export businesses to the almost complete exclusion of growth in other lines of production. Free trade brought about expansion of exports, but as it failed to generate production chains inside the Mexican economy it also inhibited domestic growth rates. In turn, the growth of exports supported by an even higher growth of imports translated into adverse trend in the balance of payments and for the economy as a whole. Since the advent of the NAFTA, Mexico has suffered a trade deficit that in 1994 amounted to \$21 billion, rising in 2007 to \$30 billion (at constant prices for the year 2000). From 1994 through 2008 GDP grew from \$475 to 688 billion USD (in constant, year 2000, dollars) while exports grew from \$72 to \$251 billion, and imports from \$93 to \$281 billion USD (World Bank, 2008).

An immediate effect of indiscriminate free trade and a macro-economic policy seeking "structural change" and "economic stability" has been a significant fall in production, not to mention structural unemployment and underemployment. The Mexican manufacturing apparatus is being progressively dismantled while the price of Mexican labor remains the single component determining added value, to the extent that it is presently 77 percent of the manufacturing inputs. In the course of this process, at least 40 production chains have gone out of business, including small and medium Mexican companies which used to supply large exporters as well as the domestic market (Cadena, 2005).

As a consequence of reduced/restricted growth, dismantling of manufacturing operations, and sending profits abroad under neoliberal policies and the NAFTA, Mexico stands out, among other things, for a low growth rate and structural inability to generate adequate sources of formal employment to improve the way of life of workers and their families. If we also consider that the anti-inflation policy has operated under the hidden agenda of containing and reducing the price of labor, as the foundation of the labor force export model, we find that it would contradict the basis of this model to actually improve the quality of work and the standard of living for the majority of the population. The manufacturing system thus engendered several important features, among them:

- *A set of DFI enclaves* focused abroad that, in spite of being at the center of official policy, fails to operate as an engine of national development. These enclaves utilize cheap labor to cut down manufacturing costs via indirect labor exports of maquiladora and disguised maquila operations;
- *A declining and dissociated national segment* oriented to the domestic market, which refuses to give up on its responsibility for job creation though deprived of government support and unable to energize national economic growth due to increasingly restrained and precarious conditions,
- *A survival sector*, such as the so-called informal businesses, that responds to a self-infused need to develop its own jobs given the precarious and inadequate opportunities for formal employment; and
- *A transnationalized labor sector* that has been increasingly active in the last decades; namely, labor migration or *direct export* of the labor force.

Mexican neoliberal policy has featured the cancellation of economic growth opportunities. While in the period preceding neoliberalism (1941-1982), the Gross National Product (GNP) grew at an average annual rate of 6.3 percent, it has only grown 2.7 percent under neoliberal policies (1982-2007).¹ This low growth rate in Mexico is both the product and outcome of a structural inability of the economy to generate enough high-quality formal jobs.

Formal employment in 1994-2008, according to the records of the Instituto Mexicano del Seguro Social (IMSS)—or Social Security, scarcely grew by just 489,000 jobs per year. This figure is equivalent to a growth of merely 30.2 percent in the growth of the labor force (PEA in Spanish). The sluggish increase in formal employment falls dramatically below the potential expansion of the labor force, which has been in excess of 1 million per year in most of the above years—commonly known as the *employment deficit*. These circumstances necessarily result in unemployment, underemployment, and migration—all forces plaguing Mexican society.

The workings of formal wage-earning job creation are quite erratic. In 1990-1993—the period immediately preceding formal launching of the NAFTA—the number of new jobs grew slightly, and then plummeted in the crisis of 1995. A fast recovery took place from that year until 2000, as 10.9 million new, steady jobs were recorded by the IMSS. This period pertains to a boom in indirect labor force exports due to the increased number of jobs offered by the maquiladora and other exporting industries operating in Mexico. The year 2000 was a turning point for the labor export-led model with the drop in recruitment by the maquila sector and an increasing prominence of *direct* labor exports, that is, labor migration.

Based on the quarterly surveys of the national statistical institute, Instituto Nacional de Estadística. Geografía e Informática (INEGI), only 4.7 million jobs were created between 2000 and 2009. Of this total, 42.7 percent were formally employed (with a signed contract). In this period, the wage-earning population as a share of the total population grew slightly, while the self-employed remained a constant share of the labor force (see Table 1).

Sector-wise, the notable loss of 447,422 agri-business jobs during 1997-2009 was evidently caused by a) an indiscriminate trade opening in agricultural products resulting from the NAFTA; b) market control exerted by large transnational agri-business companies; and c) State suspension of endorsements oriented toward this sector. Likewise, the considerable loss of 905,753 jobs in the regular manufacturing sector between 2000 and 2009 (one of every four jobs) resulted from both the shrinking domestic market and the stagnant maquiladora operations.

An overview of Mexican labor shows a heightened pauperization process that shrinks (relatively) the formal sector while driving large portions of the labor force to seek occupation alternatives in Mexico and abroad. The following paragraphs are a brief review of conditions and processes of labor pauperization in the context of shrinking employment opportunities:

¹ This point is illustrated by the fact both, the above-board and undercover maquila operations, as well as other employers, are basically supported by high-turnover, cheap, unsecured labor practically unaffiliated to a union (De la Garza, 2004).

Table 1: Mexico- Labor and Employment Conditions, 2000-2009 (2nd Quarter)

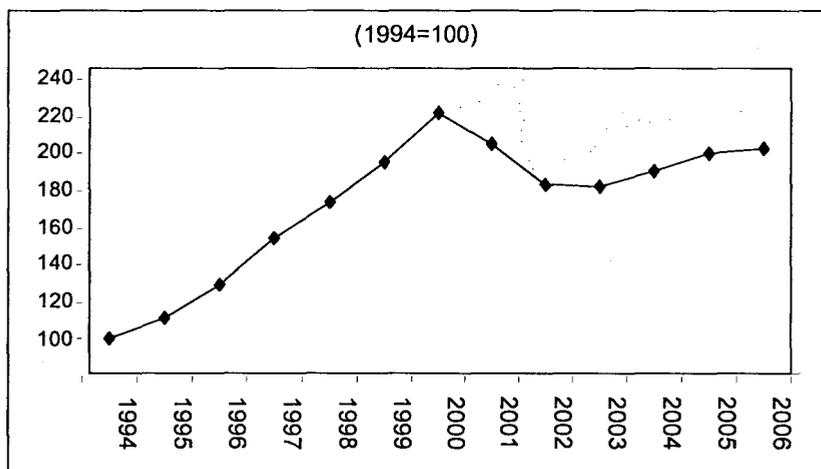
	Employed population		Changes		
	2000	2009	Absolute figures	Share in change (percent)	
				2000	2009
Working population	38,044,501	43,344,281	5,299,780	100	100
Employed workers	21,900,013	26,592,226	4,692,213	58	61
Self-employed workers	8,917,960	9,966,596	1,048,636	23	23
Less than 5 minimum wages	21,556,438	25,354,830	3,798,392	57	58
Workers without benefits	10,181,309	11,218,763	1,037,454	27	26
Non-protected workers**	20,432,327	23,408,212	2,975,685	54	54
Agriculture*	2,589,937*	2,142,515	447,422	7	5
Manufacturing	5,748,784	4,843,031	905,753	15	11

*1997; **ILO criteria: include informal workers, subsistence agricultural workers, and domestic and formal workers without benefits

Source: INEGI (2009)

1. *Loss of an Employment Dynamic in the Maquila Sector:* Both the maquila and covert maquila operations are supported by cheap labor, low or practically nil unionization, high turnover, and employment insecurity (De la Garza, 2006; Gambrell, 2008). In spite of the importance of the maquiladora sector in creating new formal jobs before 2000, the assumed competitive advantage of a cheap workforce is not long lasting (even theoretically it is conceived as a static competitive advantage). A case in point is the relative stagnation of maquila operations as of 2000, caused by relocation of numerous low-skill operations to China and Central America (see Figure1).
2. *Fall of Wage Income in the Manufacturing Sector:* Because according to official discourse the development trend should be lead by an industrial restructuring process, the manufacturing sector has operated as its hinge, asymmetrically linking the U.S. and Mexico since the early 1990s, However, contrary to a growing productivity in the period, in 2008 there was a steep fall of 40 percent in wages as compared to 1994 in non-maquila manufacturers. In contrast, the maquiladora industry showed slightly higher wages while productivity stagnated (Banxico, 2009).

Figure 1: Maquiladora Employment, 1994-2006



Source: Authors' plotting of IMSS data

3. *Workers' Loss of Purchase Power:* According to INEGI (2009) figures, by the first quarter of 2009, 6.5 percent of the working population had no income; 8.9 percent earned

minimum wages or less (minimum wage was 3.67 US dollars per day in 2009); 25.6 percent earned 1-2 minimum wages; 24.5 percent earned 2-3; 21.3 percent earned 3-5, and 11.5 percent more than 5 minimum wages. (INEGI, 2009).² This means that 41 percent do not earn enough—2 minimum wages or less—to ensure minimum levels of family wellbeing. While only 11.5 percent earned more than 5 minimum wages (2.3 USD/hr), which is the estimated value of the basic goods and services needed to maintain “decent” living standards (known as the basic income³).

4. *Persistence of High Poverty Levels:* According to official figures, poverty in Mexico dropped from 52.4 percent in 1994 to 42.7 percent in 2008, and extreme poverty from 21.2 percent to 18.2 percent in the same period (see Table 2). This apparent reduction in relative but not absolute poverty levels,⁴ most likely reveals the impact of the exponential growth in migration over this period and the key role played by remittances as a household survival strategy.

Table 2: Evolution of Poverty in Mexico—The Official Version

	Food	Capacities	Patrimonial		Percentage	
				Food	Capacities	Patrimonial
1994	19,018,063	26,908,870	47,045,221	21.2	30.0	52.4
1996	34,654,309	43,444,956	63,967,416	37.4	46.9	69.0
1998	31,682,407	39,751,061	60,671,333	33.3	41.7	63.7
2000	23,722,151	31,216,334	52,700,549	24.1	31.8	53.6
2002	20,139,753	27,085,351	50,406,024	20.0	26.9	50.0
2004	17,914,516	25,435,261	48,625,044	17.4	24.7	47.2
2005	18,954,241	25,669,769	48,895,535	18.2	24.7	47.0
2006	14,428,436	21,657,375	44,677,884	13.8	20.7	42.6
2008	19,459,204	26,765,222	50,550,829	18.2	25.1	47.4

Source: CONEVAL (National Social Development Evaluation Board)

The general conditions of labor pauperization in Mexico evidence the way in which the sources of formal employment have decreased and how the labor force has grown indiscriminately cheaper in response to the competitive requirements of U.S. businesses under the influence of neoliberal globalization. This is evident in the abundance of self-employed people, people working in roofless micro-businesses, the significance of both short workdays and workdays that surpass legal or customary limits. Moreover, it is necessary to take into account the sweeping numbers of un-protected workers—encompassing informal workers, subsistence agricultural workers, and domestic workers, as well as, formal workers without benefits in accordance with the International Labor Organization (ILO)—which grew by nearly 3 million from 2000 to 2009 (see Table 1), revealing the emergence of new scenarios of extreme labor pauperization associated with the expansion of subcontracting chains beyond the boundaries of the increasingly restricted and pauperized formal labor market.

In synthesis, under the influence of neoliberal policies, Mexico is undergoing a progressive dismantling of its manufacturing operations dating from the end of the ISI period (1982)—under mechanisms that to a fair extent resemble the creative destruction (Harvey,

² It should be consider that in 2006 the mean minimum hourly wages were 1.3 USD.

³ The canasta básica is made up of 80 goods and services grouped into 8 categories: food, beverages, and tobacco (22.7 percent); clothes, shoes, and accessories (5.59 percent); housing (26.4 percent); furniture, and household appliances (4.9 percent); health and personal care (8.6 percent); transportation (13.4 percent); education and entertainment (11.5 percent); and other utilities (6.9 percent). It is computed by the Consejo Nacional de Evaluación de la Política de Desarrollo Social (CONEVAL).

⁴ In contrast with official figures, Boltvinik, one of the top Mexican experts on poverty issues, estimates that from 2000 to 2004 poverty grew by 8.1 percent and extreme poverty by 2.1percent (Boltvinik, 2006).

2007) processes⁵, which brought about expansion and escalation of extreme labor pauperization. In such a context, a wide channel opened to reorient the economy towards a peculiar form of export-based production utilizing cheap labor. In addition to these indirect exports of work force, a massive population exodus occurred. This process featured the advent of direct labor exports, involving compulsive migration, as a concurrent characteristic of the new economic model implemented in the course of the 1980s.

2. Brief Historical Overview of Mexican Migration

In this section I include a brief review of historical patterns of Mexican migration to the United States. My main interest is to establish that, contrary to interpretative approaches that postulate that migratory processes, once initiated, develop their own dynamic, we sustain that there is a close and decisive link between them and the current accumulation model and its corresponding modality of regional integration. In this respect, in reference to the development model that we seek to characterize in this paper, a qualitatively and quantitatively *new dynamic* underlying migration has taken place.

Given the above, it should be noted that Mexican migration to the United States has a long history. With the advent of capitalism, Mexico emerged as a raw materials supplier of the large capitalist nations of the time, first England and later the United States. No large population movements occurred from the War of Independence (1810) to the end of the 19th Century; but as capitalism was consolidated in Mexico, the economy established dependency ties and became subordinate to the United States. Subsequently, the flow of migrants through the north border commenced.

Economic relations as well as social and cultural policies adopted in Mexico and the United States have developed in an asymmetrical context, leaving Mexico in a subordinate position for a very long period of time. The milestone of Mexican migration goes as far back as the military invasion of Mexico by the United States, resulting from a territorial expansion policy that culminated in 1848 with the seizing of more than half of Mexico's territory—a wide belt extending from the Pacific Ocean to the Gulf of Mexico—formalized under the Guadalupe Hidalgo Treaties. Paradoxically, Mexicans who lived in the region became *de facto* immigrants through the relocation of national boundaries.

Since the end of the 19th Century, the labor force exodus into the United States has occurred with varying intensity and with different features. Consequently, a variety of conceptions and policies emerged to encourage, contain, and nowadays repress population displacements according to the economic dynamics and regional integration modalities within and between both countries. In each stage, migrant workers have played a particular role. Below is a brief outline of the large stages followed by the historical evolution of Mexico-United States migration. This periodicity has its foundations—as noted from the start—in the different regional and development integration modes that characterize each phase:

⁵ By creative destruction David Harvey (2007, pp. 34-35) refers to "... the continuation and proliferation of accretion practices that Marx had designated as "primitive" or "original" during the rise of capitalism. These include (1) the commodification and privatization of land and the forceful expulsion of peasant populations (as in Mexico and India in recent times); (2) conversion of various forms of property rights (common, collective, state, etc.) into exclusively private property rights; (3) suppression of rights to the commons; (4) commodification of labor power and the suppression of alternative (indigenous) forms of production and consumption; (5) colonial, neocolonial, and imperial processes of appropriation of assets (including natural resources); (6) monetization of exchange and taxation, particularly of land; (7) the slave trade (which continues, particularly in the sex industry); and (8) usury, the national debt, and, most devastating of all, the use of the credit system as radical means of primitive accumulation."

1. *Labor Recruiting (Enganche) for the Construction of Railways in the United States (End of the 19th Century-1929)*: This period also relates to an expanding economy in the West of the United States and the creation of labor market segments demanding Mexican workers (Massey et al., 2002, pp. 27-33). Such demand was met mainly by workers from Central-West Mexico, where changes in production structures deprived the labor supply of opportunities both locally and in other Mexican regions (Delgado Wise and Moctezuma, 1993, p. 110). Yet another feature of this stage is the prevailing negative view of migration in Mexico, hand-in-hand with a deterrent policy (Durand 2005, p. 16). It should be noted that in this period a wave of forced migration associated with the Mexican Revolution was caused by the search for safe shelter rather than the quest for employment.
2. *Deportation and Agrarian Land Sharing (1929-1941)*: Recession in the United States and agrarian land-sharing in Mexico were turning points for migration, which in this period dropped (Massey et al., 2002, pp. 33-34). Mass deportations, the repeal of legal means for emigration, and the creation of new domestic jobs, mostly in agriculture resultant from post-Revolutionary Agrarian Reform, caused migration to plummet (Delgado Wise and Moctezuma, 1993, p. 112).
3. *Bracero Program (1942-1964)*: As a function of the labor shortage in the United States caused by WWII, new conditions emerged calling for the recruitment of Mexican laborers. Mexico, in turn, launched a phase of economic growth promoting the manufacture of goods to substitute for imports (the so-called "Mexican miracle". Yet, in spite of the high growth rates achieved in these years, there was a surplus of agrarian workers who did not find jobs in cities or industrial sites. This caused the first negotiation of the migration process between Mexico and the United States. We should note here that the new institutionalism favored a stronger social migration networking under a predominant circular migration pattern. Notwithstanding, towards the end of the period visas for farmhands were cut down triggering the rise of illegal immigrants (Massey et al., 2002, pp. 34-41).
4. *Illegal Migration (1964-1985)*: In this period, a decline of the ISI model took place (in fact, there was drastic shift in 1982/83 toward an economic model favoring exports under neoliberal principles. Meanwhile, in the United States the demand for migrant laborers continued to grow in pace with the enlargement of its vast internal market and world-wide economic expansion trends. Because of the constrained legal channels for entry to the U.S., there was a substantial increase in undocumented migration which was quickly stigmatized by criminalizing the immigrants (Delgado Wise, 2004). Far from stopping under these circumstances, migration allowed U.S. employers to continue hiring cheap Mexican labor. Beyond the significant flow of migrants throughout this period there was a large propensity to return, making the net inflow of undocumented migrants rather modest: 4.9 million over a 20 years period (Massey et al., 2002, p. 64). In these years, the Mexican government assumed a passive, indulgent attitude tacitly instituting what García and Griego define as "the policy of no policy" (García and Griego, 1988, p. 147).
5. *Excessive Growth of Migration Under Conditions of an Indiscriminate Opening to Foreign Trade and Investment (1986 to date)*: In 1986 Mexico signed the General Agreement on Tariffs

and Trade (GATT), now replaced by the WTO (World Trade Organization), launching non-restricted open investment and trade processes consolidated by the enforcement as of 1994 of the North American Free Trade Agreement (NAFTA). These institutional changes constituted a powerful engine moving Mexicans to migrate to the US. The massive legalization of 2.3 million illegal Mexicans under the IRCA (Immigration Reform and Control Act of 1986) in 1987 was unable to contain the new migration drive—particularly its high illegal share. In this context, the attempt to negotiate a migration agenda with the United States at the beginning of the administration of President Fox (2000-2006) was frustrated by 9/11, which brought about a tougher immigration policy. On the Mexican side, given the visibility and growing strategic significance of emigration, a policy was adopted that Durand (2005, p. 24) calls “damage repair” oriented to the protection of the migrant population. Notwithstanding, when the cheap labor export-led model was established as the pivot of a nation-wide “accumulation” strategy, the migration policy underwent a sort of “courtship of the Diaspora” with the purpose of ensuring money remittances from migrants and rendering migration a core element of macroeconomic stability. This was the case, given the crucial impact of money transfers as a source of foreign exchange on the trade balance. Furthermore, the policy also helped maintain social stability (given the role of this money in the subsistence of more than 1.6 million families). In this sense, although not an overt part of the Mexican policy, the fact is that labor exports have become an *implicit* element of the reigning “development” model and of the government policies that support it. Finally, we should stress that this model is starting to show signs of non-sustainability. This is due to: a) the present economic crisis that affects both the United States and Mexico; b) the distortions engendered in the Mexico’s production capacities and processes under the umbrella of this model; and c) the emerging signs of *backwash effects*, such as the surfacing of a strong depopulation trend in a large portion of the Mexican territory, as documented in the following section, accompanied by the abandonment of national manufacturing businesses as the internal market stagnates or declines.

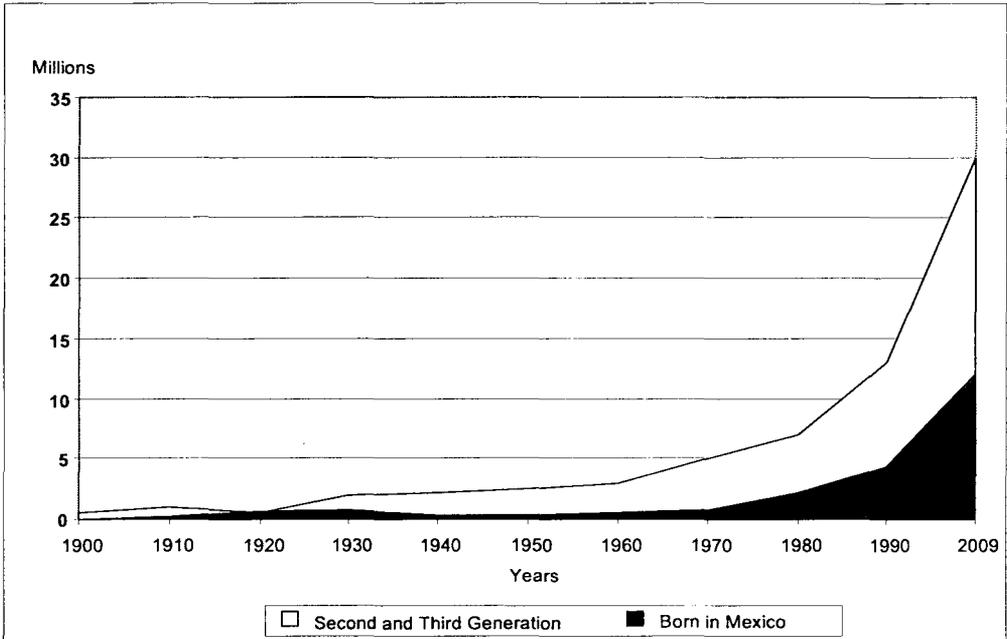
3. The New Migration Dynamics

The Mexico-United States migration system is exceptional—being one of the oldest, most complex, and most active in the world. Although its profile is shaped by factors such as its mature nature, its massive flows, and its operation across a territorial border between neighboring states (Durand and Massey, 2003, p. 45), there is no doubt that the spinal column of the current migration flow is driven by underemployed and unemployed Mexican workers.

Currently, Mexican migration has reached record proportions, particularly due to the NAFTA. Suffice it to say that in the last 30 years the native Mexican population residing in the United States grew six fold, from 2.2 million in 1980 to 11.8 million in 2009 (Conapo, 2009). As a result, Mexico has become the top exporter of migrants in the world. According to recent estimates by the UN Population Division (2006), in 2000–2005 a net annual average of 400,000 Mexicans left the country to live in the United States. The second place goes to China (390,000), and the third to India (280,000). Concurrently, the United States has the highest immigration in the world (absorbing 20 percent of the world’s total), of which Mexicans constitute a majority (27.6 percent) (Conapo, 2009).

The extent of this trend is quite expressive: in 2008 the estimated native Mexicans residing in the United States exceeded 30 million, including both immigrants —legal or not— born in Mexico (10.8 million) and American citizens with Mexican ancestors (first, second, and subsequent generations). It should be noted that Mexican migration showed a growing trend commencing with the early enforcement of neoliberal policies; and in 1994 with the NAFTA this trend accelerated (Figure 2).

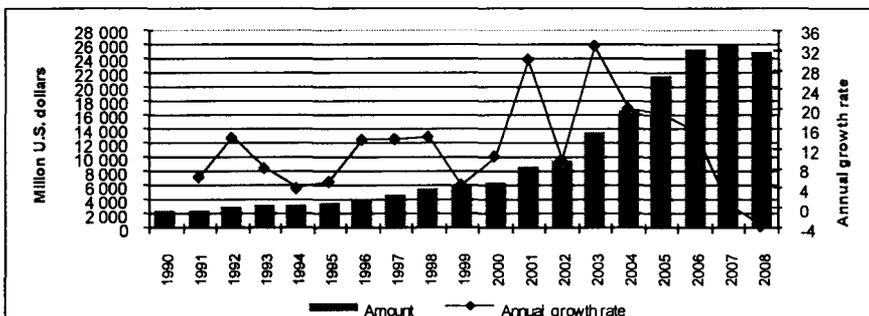
Figure 2: Mexican Natives Residing in the United States



Source: Author's plotting based on the Conapo (2009) and the CPS (2009)

In line with the above, Mexico underwent a process of exponential growth in terms of migrant remittances, climbing to second place in the world below India and China (World Bank, 2009). For 2007, total money transfers totaled 26 billion USD (Banxico, 2009). Notwithstanding, we should add that for 2008 the figure fell to 25 billion USD; this for the first time since the advent of the NAFTA given the impact of the current global crisis on the U.S. labor market dynamism. An even greater decrease in remittances flows is expected in 2009 (Figure 3).

Figure 3: Mexico- Remittances Amount and Annual Average Growth Rate



Source: Prepared by the author based on Banxico (2009).

The following major qualitative changes are evident in addition to those features that account for the quantitative growth of migration:

- There has been international migration from practically all over the Mexican territory, involving 96.2 percent of the municipalities in 2000. This spread of migratory participation entailed both new departure and destination zones of migration flows (Zúñiga and Leite, 2004). Concurrently, the number of Mexican natives residing in the United States—regardless of their concentration in a few states—has expanded across the country in the last few years. Among other places, immigration flows are expanding into the Eastern and North-Central United States (Zúñiga and Hernández-León, 2005); precisely where some of the most active industrial restructuring centers are located (Champlin and Hake, 2006).
- Education-wise, 39.3 percent of the population aged 24 or older born in Mexico and residing in the United States in 2008 had high school or further education. In contrast, the mean figure for Mexico in 2005 (last available date) was 30.7 percent. This means that, contrary to common belief, more skilled labor is leaving rather than staying in Mexico. There is a clear selective trend concurrent with an underlying trend in international migrations. Furthermore, considering schooling from 1994 and 2008, we find an evident progress in the growth of skilled migration (Table 3). It should be noted, nevertheless, that as compared to other immigrant groups, the Mexican population of the United States has less education. This circumstance illustrates the severe education lag prevailing in Mexico (OCDE, 2005).

Table 3: Increase in Educational Levels of Mexicans 24 or Older Living in the United States, 1994, 2008

	1994	Percent	2008	Percent
High school and above	1,336,889	29.37	3,773,087	39.28
B.S. and above	205,402	4.51	533,526	5.55
Graduate degree	53,553	1.18	158,264	1.65
Ph.D.	5,873	0.13	9,550	0.10

Source: Prepared by the authors based on the CPS (2009).

- We also find evidence of a hardly visible type of displacement that does not fall under any labor migration stereotype regarding Mexicans residing in the United States with a B.A. and/or a graduate degree. In 2008 these exceeded 533,000, all born in Mexico, including 9,550 with PhD degrees. Far more revealing is the number of highly skilled Mexicans who migrate to the United States as compared to those who stay (see Table 9). If the number of Mexicans living in the United States is considerable (a little over 10 percent), the highly skilled population, huge in relative terms (a little over 30 percent), is an even greater cause for concern. This brings up that the so-called “brain drain” process—already an alarming issue that warrants serious consideration.
- All these changes have been accompanied by a significant transformation of the migration pattern: from a predominantly circular pattern, it shifted to a predominance of migrant settlers. Although this trend is usually the outcome of evolution and maturing of migration flows, it has been accompanied by unilaterally closing the border which, contrary to the purpose of containing a population exodus, has resulted emerging flows. This is due to the risk of returning, causing Mexican immigrants to opt for extending their stay indefinitely (Massey et al., 2002).

- Finally, the shift in migration patterns and the fall in domestic birth rates are causing a growing and preoccupying depopulation trend between 2000 and 2005: Out of 2,435 municipalities in the country, 1,243 (one in every two) had a negative population growth rate (INEGI, 2006).

Yet, the unelaborated quantitative and qualitative description of the overflowing Mexican migration into the United States is obviously incomplete without a glimpse of the role that Mexican labor plays in the U.S. economy. These are issues that to a fair extent are kept invisible and have practically been absent in the political debate on migration.

4. U.S. Demand of Mexican Labor

The Current Population Survey's occupational data show the strategic function of migrants in the U.S. labor market. The country generated about 23.2 million jobs between 1994 and 2008, 46.2 percent of which were taken by the immigrant population (see Table 4). Mexicans comprise the largest workforce-providing immigrant group and supplied 3.8 million jobs between 1994 and 2008, a third of the immigrant population's total labor supply and 16 percent of all U.S.-generated employment—that is, one in every six employment positions.

Table 4: Employed Population in the United States according to Migration Status, 1994-2008

Employed population	1994	2008	Difference 1994-2008	Annual average growth rate 1994-2008
Employed population	129,714,943	152,986,375	23,271,432	1.3%
Employed native population	116,753,126	129,266,308	12,513,182	0.8%
Employed immigrant population	12,961,817	23,720,067	10,758,250	5.9%
Employed non-Mexican immigrant population	9,323,008	16,226,064	6,903,056	5.3%
Employed Mexican immigrant population	3,638,809	7,494,003	3,855,194	7.6%

Source: Personal calculations based on CPS data, March issue, 1994-2008

The role played by Mexican migrants in the U.S. job market is even more evident when approached in relative terms: Mexican immigrant employment has grown at the fastest rate—7.6 percent—during the NAFTA era.

Compulsive Mexican migration to the United States is moulded by regional integration policy but has very different effects in each country. The receiving country benefits from an increased labor supply in certain sectors of the labor market, which reduces labor costs and increases capital benefits. This process is not simply regulated by the free play of workforce supply and demand; in many ways, it is also managed via deliberate corporate strategies that seek to reduce labor costs through the massive replacement of native workers in certain sectors of the U.S. economy. The behavior of the manufacturing industry is paradigmatic on both, labor restructuring and corporate strategies, where migrants play a key role. They certainly aid the process of workforce substitution, as can be seen in Table 5. Between 1994 and 2008, the native workforce in the sector decreased by 4.28 million, while immigrants employed increased by about 812,000—of which some 300,000 (40 percent) were Mexican. Certain immigrant groups in this sector, particularly the Mexicans, receive extremely low salaries. Table 5 shows the very significant salary gaps between native and immigrant salaries in relation to those of Mexican manufacturing workers.

Table 5: Employed Population in the Manufacturing Sector according to Migration Status, 1994-2008

Employment and salary	1994	2008
Total employed in the manufacturing sector	20,340,523	16,868,190
Average annual salary (USD prices 2008)	\$37,079	\$48,910
Total native population employed in the manufacturing sector	18,119,790	13,835,048
Average annual salary (USD prices 2008)	\$37,784	\$50,361
Total immigrant population employed in the manufacturing sector	2,220,733	3,033,142
Average annual salary (USD prices 2008)	\$32,396	\$42,198
Total non-Mexican immigrant population employed in the manufacturing sector	1,412,495	1,900,300
Average annual salary (USD prices 2008)	\$38,519	\$51,572
Total immigrant Mexican population employed in the manufacturing sector	808,238	1,132,842
Average annual salary (USD prices 2008)	\$21,795	\$26,360
Native vs. Mexican salary difference	\$15,989	\$24,001
Non-Mexican immigrant vs. Mexican immigrant salary difference	\$16,724	\$25,212
Percent of employed native population in relation to total manufacture-employed population	89.1%	82.0%
Percent of employed Mexican population in relation to total manufacture-employed population	6.9%	11.3%
Percent of employed Mexican migrant population in relation to total manufacture-employed population	4.0%	6.7%

Source: Personal calculations based on CPS data, March issue, 1994-2008

We see that not only is the wage differential significant regarding Mexican immigrants and U.S. natives employed in manufacturing—it is also increased from 42 percent to 48 percent since the NAFTA commenced. These data clearly indicate that the U.S. economy is undergoing a “precarization” process within a broader context of national deindustrialization/transnational restructuring, demonstrating that the Mexican workforce export model plays a fundamental role in it (Delgado Wise and Márquez, 2007). This process consists, *inter alia*, on the replacement of workers, the upsurge of unemployment rates, and the escalating decline of labor standards.

In short, immigrants in general and Mexicans in particular contribute to the receiving economy in the five following ways:

1. *Cost reduction effects:* A cheap, flexible, and disorganized workforce contributes to cost reductions in the labor process, both in lowly and highly qualified sectors.
2. *Displacement effects.* Migrants are used to replace better paid and unionized labor contingents since they are willing to work in more exploitative and exclusionary conditions.
3. *Complementarities effect:* Given the decreased population growth rate, migrants provide receiving nations with the required workforce to maintain accumulation and economic growth rates.
4. *Replacement effects:* The internationalization of production and new global commodity chains displace jobs to underdeveloped or peripheral nations with an abundance of cheap workforce.
5. *Devaluation effects:* By contributing to labor cheapening, displacement, complementarities, and replacement effects, and (further) by working as domestic laborers and in activities that produce wage goods, migrants also contribute to the general devaluation (or cheapening) of the workforce in the global framework of capitalist restructuring. That is, the *maintenance and reproduction costs of the workforce are reduced.*

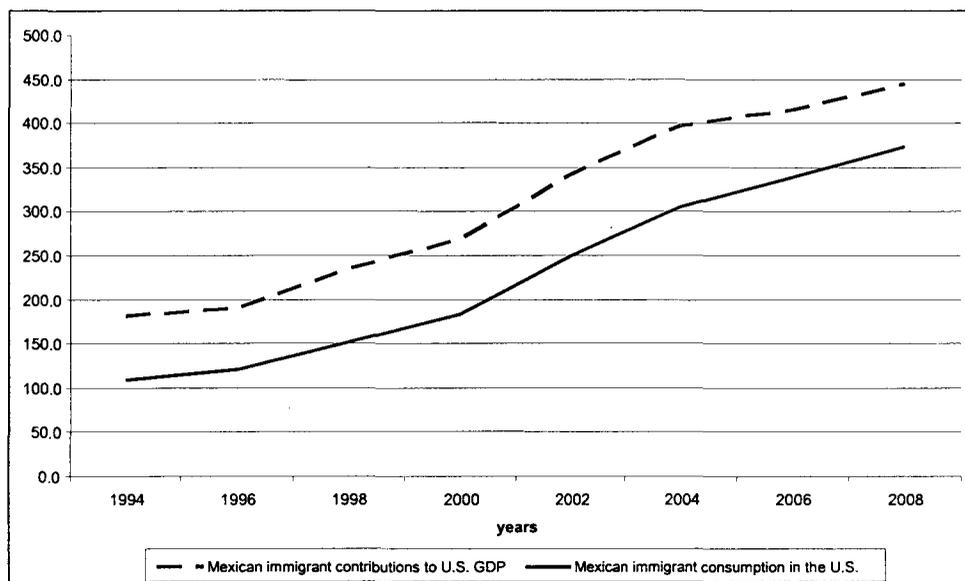
5. Contribution of Mexican Immigrants to Production and Consumption in the U.S.

To begin with, we must take into account the fact that the vast amount of Mexican migrants working and residing in the United States strengthens national production and consumption. Their contribution to the U.S. GDP has doubled in the last 14 years, from 2.3 percent to 3.8 percent—which, in 2008, amounted to 531.6 billion USD (46.5 percent of the Mexican GDP).⁶ The U.S. economy grew by \$4.148 trillion in real terms between 1994 and 2008 (at 2008 prices) BEA (2009); Mexican immigrants contributed \$ 312 billion, or 7.5 percent of this increase. And, in spite of their having the lowest income levels, their consumption also played a significant role in energizing the U.S. internal market. In fact, they contributed \$400 billion in 2008.⁷

Moreover, between 1994 and 2008, U.S. consumption grew by 3,228 billion USD in real terms; Mexican immigrants contributed 241 billion, or 7.4 percent of the total. By 2008, Mexican immigrants comprised nearly 5 percent of the employed population in the United States and their annual wage spillover was approximately 217 billion dollars, 2.9 percent of the U.S. total. Around 12 percent of this income was sent to Mexico in the form of remittances.

As a preliminary conclusion we can corroborate the idea that, in spite of the adverse conditions they encounter, migrants make substantial contributions to the accumulation process in the U.S.

Figure 4: Mexican Immigrant Contributions to U.S. GDP and Consumption, 1994-2008 (Billion USD, 2008 prices)



Source: Own estimates based on the CPS and BEA

⁶ The estimation of the contribution of Mexicans immigrants to U.S. GDP is based on desegregated data of the Current Population Survey (March supplement) regarding the participation of Mexicans in 34 activities and sectors of the U.S. economy and multiplying them by the corresponding average sector productivity figures provided by the U.S. Bureau of Economic Activity (1994-2008). The magnitudes of the Mexican population residing in the U.S. allow the implementation of this direct estimation of the GDP with a high degree of statistical confidence.

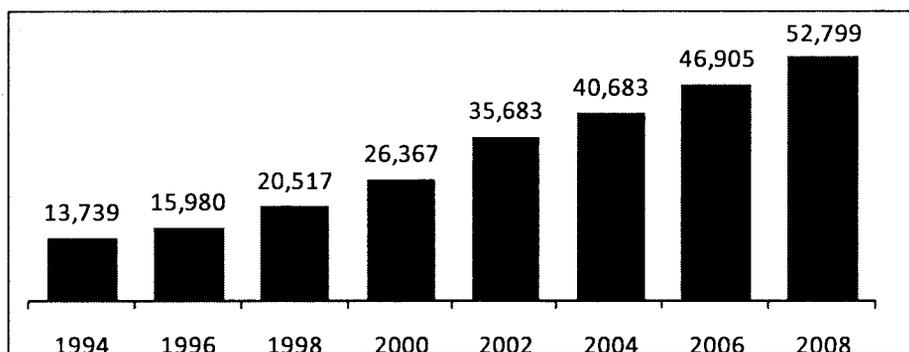
⁷ Consumption estimates are based on desegregated (34 activities and sectors) average income earnings of Mexican immigrants provided by the Current Population Survey (March supplement) considering their annual income-consumption spillovers in the U.S. economy (1994-2008).

1. *The economic inclusion of most migrants leads to labor super-exploitation.* Migrants are subject to adverse conditions and extreme vulnerability: work is intense, the workdays long, and salaries are quite low. They are also exposed to work-related risks, sickness, and labor precariousness, suffering a premature erosion of their labor capacity and a decline in their quality of life (Levine, 2001; Passel, 2005).
2. *Consumption at the threshold of subsistence.* Because forced migration leads to appalling labor conditions and very low salaries, migrants must find a way of covering their basic needs and oftentimes resort to credit. Precarious consumption is common, as their income barely covers essential needs. All this notwithstanding, part of this income is still sent to dependents in places of origin in the form of remittances (around 1.6 million Mexican families depend on remittances as their main source of income—Canales, 2008, pp. 210-218).

6. Contribution of Mexican Immigrants to the U.S. Fiscal and Social Security Systems

The reigning discourse on migration and development tends to portray migrants as a fiscal and social burden for receiving nations. This, however, is unfounded if one considers the contributions made by these socially and legally marginalized groups to the receiving nation's public coffers and social security system. In the case of Mexican immigrants in the United States, empirical evidence shows that, in 2008, this group contributed 52,800 million USD via income and consumption taxes (see Figure 5). This is slightly more than twice the amount of remittances sent to Mexico. Paradoxically, this significant contribution is made in a context of acute economic and social vulnerability, since most of the contributors are undocumented and do not have access to a wide range of public services available to the rest of the population. According to Passel (2006), 46.5 percent of Mexican immigrants were undocumented in 1990; this number rose to 52.2 percent in 2000 and 56.4 percent in 2005.

Figure 5: Income and Consumption Taxes paid by Mexican Immigrants in the United States, 1994-2008 (Millions of dollars)



Source: Own estimations based on the CPS and Federal Insurance Contributions Act (FICA) and State Individual Income Tax Rates.

According to CPS most recent data (2009), 2.9 million Mexican immigrants in the United States are poor, i.e. 1 in every 4; their access to health services is extremely limited: 74.7 percent lack health insurance. Also, despite the increasingly selective character of the migration process, Mexican immigrants are less educated than those of other nationalities or the U.S.-born Mexican-Americans—six in every ten have less than twelve years of schooling.

As a corollary, average salaries of Mexican immigrants are lower than those of the rest of Latin American, Caribbean and Asian immigrant groups as well as U.S. natives.

Labor inclusion accompanied by social exclusion is the preordained path for most Mexican immigrants in the United States. Their plight is characterized by at least three factors:

- *Restriction of social mobility:* Labor precarization, social exclusion, and the need to send a fraction of their income to Mexico mean that migrants' consumption capacity is minimal, as are their chances of social ascent.
- *Stigmatization of migrants as human merchandise:* Immigrants are reduced to the status of cheap labor force: their exploitation must incur the least social spending and earn minimal rewards. In addition, they are, of course, disposable.
- *Subsidization of the state:* In addition to living under super-exploitative conditions, immigrants finance the receiving state without getting public equivalent services and benefits. Instead, they are stigmatized, criminalized, and segregated.

7. Surplus Transferences from Mexico to the U.S. Implied in the Migratory Process

Migrants' labor insertion into the U.S. labor market entails transference of resources derived from the educational and social reproduction costs of the workforce. These were covered by the sending country through educational, social subsistence and welfare programs. Seen from another angle, labor migration saves the receiving country a considerable amount of money, most particularly because the age profile of the migrant population is inordinately correlated with years of maximum labor force participation. These costs for the creation and reproduction of the labor force are considerably lower in peripheral nations.

By taking into account the educational level of Mexican migrants upon their arrival in the United States (CPS, 2009) and the costs this represents for the Mexican public education system (Instituto Nacional para la Evaluación de la Educación, 2009), we estimate that, between 1994 and 2008, Mexico transferred 83 billion dollars (at 2008 prices) to its northern neighbor. In the meantime, the United States saved 613 billion dollars (at constant 2008 prices) over the same time span. These calculations were based on expenses per educational level issued by the National Center for Education, U.S. Department of Education (2007) in combination with Current Population Survey data regarding the level of education of Mexican immigrants at their first arrival in the U.S. If remittances are indeed a drain of resources for the receiving country, in this case their total would comprise only 30 percent of the total amount of educational savings comprised by the Mexican immigrant workforce.

In addition to the educational costs, migration involves a transfer of resources in terms of social reproduction—that is, the upkeep costs of the individual before emigration. These costs involve a variety of expenses, including public welfare, social programs, and the family expenditures of those who emigrate (including a substantial portion of remittances, which contribute to the formation of a new emigrant workforce). If we take the cost of the basic food basket estimated by the National Council for the Evaluation of Social Development Policy (Consejo Nacional de Evaluación de la Política de Desarrollo Social, CONEVAL) as an expression of the cost of living, we can estimate that Mexico transferred 257 billion dollars

(at 2008 prices) to the United States between 1994 and 2008. This is 1.4 times the total amount of remittances received during this period.

When we add up the estimated educational and social costs we come up with a total transfer of 340 billion dollars, 1.8 times the full amount of remittances sent to Mexico. This estimate does not even include employment, production, consumption, and tax contributions. It is evident that Mexican society *currently subsidizes* the U.S. economy via labor migration.

8. The True Meaning of Remittances

Remittances are often portrayed as a strong form of currency that sustains external accounts; a money supply endowed with expansive, multiplying effects; quality resources for local development; philanthropic contributions to impoverished communities, or a river of gold flowing into the dried-up fields of the third world, only to end in an ocean of progress. These are nothing but a series of ideologically-based statements promoted by the World Bank and the Inter American Development Bank—an attempt to depict migrants as sources of wealth or capital, successful entrepreneurs, the new heroes of development in charge of performing the duties of capital and the state. This apologetic discourse masks the mechanics of asymmetric regional integration underlying the labor export-led model followed by Mexico.

Even though there is no empirical proof or theoretical foundation to the claim that migrants' remittances can be used as tools for development in countries of origin, this idea would appear to be factual and unquestionable given the amount of reports, articles, and speeches that intone, over and over, this new mantra of development (Ghosh, 2006; Kapur, 2004; World Bank, 2006). The problem behind this political and ideological concept is that the context, and all involved processes and agents, are essentially ignored. We are provided with a romanticized vision of migrants as heroes of development, even though most of them are excluded workers striving to support themselves and their families. This approach ignores the root causes of migration, masks migrants' contributions to the receiving economy, and exaggerates and idealizes the power of remittances in pauperized, increasingly desolate and underdeveloped places of origin: ghost towns where productive activities have been abandoned and uprooting and despair are part of the landscape.

In addition to asking ourselves what remittances are, we must find out how they are produced. Migrants send part of their income to dependants still residing at home in order to cover basic family needs (Márquez, 2007). The remaining sum must ensure their own subsistence and that of any dependants living with them in the receiving nation. We must then assess the living and working conditions of migrants and their dependants, both at home and in the receiving country, in order to understand the nature and function of remittances. Such a comprehensive approach will show that, while remittances comprise an income transference from developed nations to labor exporting countries, this drain is insignificant when compared to the resource transfereces that enable it. Remittances, in short, are framed by a context of unequal exchange and the new international division of labor generated by neoliberal globalization, which undermines growth, accumulation and development processes in countries and places of origin.

Migrants' remittances come from a salary that is, essentially, a sub-salary. That is, it is apparently higher than what the person would earn at home but lower to that of other—similarly employed—workers in the receiving country. In fact, it is often below the basic

subsistence, reproduction, and recreation levels in the host country. In short, it is a salary constructed under conditions of super-exploitation and social exclusion. This structure allows for only modest remittances which clearly cannot be expected to foster any sort of meaningful development process.

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