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## Why would some migrants choose to engage in degrading work?

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Zentrum für Entwicklungsforschung  
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# ZEF-Discussion Papers on Development Policy No. 149

Oded Stark and C. Simon Fan

## **Why would some migrants choose to engage in degrading work?**

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## Abstract

This paper develops a model of voluntary migration into degrading work. The essence of the model is a tension between two “bads:” that which arises from being relatively deprived at home, and that which arises from engaging in humiliating work away from home. Balancing between these two “bads” can give rise to an explicit, voluntary choice to engage in humiliating work. The paper identifies conditions under which a migrant will *choose* to engage in degrading work rather than being forced into it, to work abroad as a prostitute, say, rather than on a farm. The paper delineates the possible equilibria and finds that greater relative deprivation will make it more likely that the equilibrium outcome will be “engagement in prostitution.” It is shown that under well specified conditions, every individual will work as a prostitute, yet every individual would be better off working on a farm. Put differently, when specific conditions are satisfied, there is a possibility of a “coordination failure:” if individuals believe that everyone else will choose to be a prostitute, this belief will be self-fulfilling. In this case, all the individuals choose to engage in prostitution, which renders each of them *worse off*. The paper discusses various policy implications. It is shown that a policy intervention (a crackdown on migrants’ engagement in prostitution), if implemented strictly, can increase everyone’s welfare, but when the policy is implemented loosely, cracking down on prostitution will only reduce individuals’ welfare without reducing their engagement in prostitution.

*Keywords:* Migrants; Relative deprivation; Degrading work; Humiliation; Multiple equilibria; Welfare assessment; Policy implications

*JEL Classification:* F22; J24; J81

## 1. Introduction

It often seems puzzling that many migrants take degrading jobs as virtually slave labor. Some claim that this is a result of human trafficking. Indeed, as frequently portrayed in the media, migrants are exploited, fooled by ruthless employment brokers. While there is no denying that migrants can be exploited because of their lack of information, one wonders whether this argument is sufficient to explain why a good many migrants from specific communities persist in working almost as slave labor (for example, in the sex trade).

Thus, we have two distinct explanations for why migrants end up working almost as slave labor: either they are being deceived, tricked into bondage; or they willingly undertake degrading employment because they witness in their home community the financial success of former migrants. While the *rewards* of migrants' work are visible in the community of origin, the *conditions* of their work are not. People in the home community see the glitter that results from degrading work; the work experience itself in foreign lands is unseen, and often disguised.

In this paper, we seek to provide an explanation as to why migrants engage in degrading work, why the financial rewards prevail over dreadful conditions. To this end, we develop a model of migrants' voluntary engagement in degrading work. The model has important implications for public policy since the optimal policies differ drastically when the said engagement is voluntary rather than involuntary. Without loss of generality we draw on the particular example of migration from a village in Moldova. We do so because the evidence suggests that in Moldova women migrate abroad directly from their home villages; because several international organizations and agencies consider much of the migration of women from Moldova to be for prostitution (UNICEF, 2002), or Moldova to be a major source of women migrating for commercial sex (CIA, 2008); because, by at least one measure, the proceeds of migration affect economic life in places of origin in Moldova more than in any other country - remittances are reported to constitute 36.2 percent of GDP in 2006, the highest percentage worldwide (Ratha and Xu, 2008); and because a solid majority of "students" (a full 70 percent) are reported to "think that work in the sex industry abroad is a good way to earn money," more than in any other Southeast European country (UNICEF 2002, p. 27). But our argument applies also to migrant workers from villages and towns beyond Moldova who perform humiliating work in degrading conditions that verge on slavery in sectors well beyond prostitution such as migrant workers from rural Burma who toil on Thai fishing boats

(ILO, 2006) and Vietnamese migrant workers aboard Taiwanese fishing vessels (*worldfishing*, July 1, 2009).

In our model, utility is determined by income, income relative to the incomes of others (relative deprivation), and the humiliation of engaging in degrading work (such as prostitution). We consider the situation in which a migrant *chooses* to engage in degrading work, that is, to work abroad as a prostitute rather than, say, on a farm. We build on the assumption that concern about humiliation, which is sensed when working as a prostitute, but not when working on a farm, declines with the number of the individuals from the place of origin who *choose* to become prostitutes. We show how this concern is shaped by relative deprivation considerations. We delineate the possible equilibria, and show that a greater concern for relative deprivation renders it more likely that the equilibrium outcome will be “engagement in prostitution.” We then calculate the levels of welfare associated with the various equilibria. We show that under well specified conditions, every individual works as a prostitute, yet every individual would be better off working on a farm. Put differently, when certain conditions are satisfied, there is a possibility of a “coordination failure:” if individuals believe that all the others choose to be prostitutes, this belief will be self-fulfilling. In this case, all the individuals choose to engage in prostitution, which renders each of them *worse off*.

We discuss various policy implications. Under well specified conditions, a policy intervention (a crackdown on migrants’ engagement in prostitution) can increase every individual’s welfare if the policy is implemented strictly. But when the policy is implemented loosely, cracking down on prostitution will only reduce individuals’ welfare without reducing their engagement in prostitution.

A good many empirical studies show that interpersonal comparisons of income have a significant effect on individuals’ behavior.<sup>1</sup> Also, Postlewaite (1998) argues vividly that since high rank has conferred an evolutionary advantage in the competition for food and mating opportunities over millennia, envy is likely to be hardwired (part of the genetic structure).<sup>2</sup>

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<sup>1</sup> See, for example, Podder (1996), Eibner and Evans (2005), Luttmer (2005), Bruni and Stanca (2006), and the survey by Clark, Frijters, and Shields (2008).

<sup>2</sup> In the opening statement of an influential book on envy and human nature, Schoeck (1987, p. 1) writes: “Throughout history, in all stages of cultural development, in most languages and as members of widely differing societies, men have recognized a fundamental problem of their existence and have given it specific names: the feeling of envy and of being envied. Envy is a drive which lies at the core of man’s life as a social being, and

And the idea that relative deprivation affects migration is not a novelty of this paper. Several studies have shown empirically that a concern for relative deprivation impacts significantly on migration outcomes (Stark and Taylor 1989, 1991, Quinn 2006, Stark et al. 2009), and several theoretical expositions have shown how the very decision to resort to migration and the choice of migration destination (Stark 1984, Stark and Yitzhaki 1988, Stark and Wang 2007), as well as the assimilation behavior of migrants (Fan and Stark 2007), are modified by a distaste for relative deprivation. However, the idea that a sense of relative deprivation could trigger a decision to engage in degrading migration work, that is, that the choice of degrading migration work could be the *outcome* of aversion to relative deprivation, has not been pursued before.

## 2. The basic analytical framework

Consider a set of identical individuals in a village in a sending country, henceforth Moldova. An individual lives for one period in which she works, earns, derives utility from earnings, and disutility from relative deprivation. In the country of destination, henceforth Southeastern Europe (or Western Europe), the individual faces the following occupational choice: (1) work in agriculture and receive a low income,  $L$ ; (2) work as a prostitute and receive a high income,  $H$ .

The individual obtains utility from consumption and, possibly, disutility from two sources: (1) relative deprivation when she compares herself with other members of her reference group, that is, other people from her village of origin; (2) humiliation if she becomes a prostitute. We further assume that the disutility from humiliation decreases with the number of fellow villagers who choose to become prostitutes (paraphrasing: humiliation shared is humiliation halved). Formally, let the individual's utility function be

$$u = I - RD - S \tag{1}$$

where  $I$  denotes the migrant's income,  $RD$  denotes the relative deprivation of the migrant

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which occurs as soon as two individuals become capable of mutual comparison." Some empirical studies show that this perception of envy is particularly pronounced in post-communist countries, in which people had not been used to significant overt income inequality (Blanchflower and Freeman 1997, and Alesina and Fuchs-Schuendeln 2007).

which arises from interpersonal comparisons with other members of her reference group, and  $S$  denotes the expected disutility from humiliation. If the individual works on a farm in Southeastern Europe, then  $S = 0$ ; if the individual works as a prostitute in Southeastern Europe, then  $S = P(\lambda)$ , where  $\lambda$  is the proportion of the individuals from the migrant's village in Moldova who engage in prostitution, not taking into account the individual herself / himself. In other words,  $P(\lambda)$  is the *expected* humiliation.

We assume that

$$\begin{aligned} P(\lambda) &> 0 \\ P'(\lambda) &< 0 \end{aligned} \tag{2}$$

This assumption implies that there is a humiliation from engaging in prostitution, but that this humiliation decreases if more members of the individual's reference group select such an occupation. Note that the assumption  $P'(\lambda) < 0$  is made in related research, cf. Akerlof (1980), Rabin (1994), and Lindbeck, Nyberg, and Weibull (1999).

Since all the individuals are identical, we might just as well focus on the cases where they all choose the same strategy. Thus, only two equilibrium outcomes are considered:  $\lambda = 0$  (no one engages in prostitution - every individual works on the farm);  $\lambda = 1$  (everyone is engaged in prostitution).

The relative deprivation of an individual is defined as

$$RD \equiv F(I, R) = \begin{cases} \alpha(R - I) & \text{if } R > I \\ 0 & \text{if } R \leq I \end{cases} \tag{3}$$

where  $R$  is the average income of the individual's reference group, and  $\alpha$  is a positive constant.

Inserting (3) into (1), we get

$$u = \begin{cases} I - \alpha(R - I) - S & \text{if } R > I \\ I - S & \text{if } R \leq I \end{cases} \tag{4}$$



**Scenario 1:** Suppose that everyone's belief is that all other individuals will work on the farm. In other words, people's belief is that  $\lambda = 0$ , which means that every individual believes that none of the other individuals from the migrant's village in Moldova will engage in prostitution. Under such a belief, if the individual also chooses to work on the farm, her utility will be

$$u = L - 0 - 0 = L \quad (5)$$

However, if she elects to become a prostitute, her utility will be

$$u = H - 0 - P(0) = H - P(0) \quad (6)$$

Thus, the individual will not deviate from the equilibrium of working on the farm if and only if

$$L > H - P(0) \quad (7)$$

namely, if and only if

$$P(0) > H - L \quad (8)$$

If (8) is satisfied, then no one will deviate from the equilibrium under the belief  $\lambda = 0$ ; that is, no one will engage in prostitution.

**Scenario 2:** Suppose that everyone's belief is that all other individuals will work as prostitutes. In other words, people's belief is that  $\lambda = 1$ , which means that every individual believes that all the other individuals from the migrant's village in Moldova will engage in prostitution. Under such a belief, if the individual also chooses to work as a prostitute, her utility will be

$$u = H - 0 - P(1) = H - P(1) \quad (9)$$

However, if she elects to work on the farm, her utility will be

$$u = L - \alpha(H - L) - 0 = -\alpha H + (1 + \alpha)L \quad (10)$$

Thus, the individual will not deviate from the equilibrium of working as a prostitute if and only if

$$H - P(1) > -\alpha H + (1 + \alpha)L \quad (11)$$

namely, if and only if

$$P(1) < (1 + \alpha)(H - L) \quad (12)$$

If (12) is satisfied, then no one will deviate from the equilibrium under the belief  $\lambda = 1$ ; that is, all the individuals will work as prostitutes. In other words, when (12) is satisfied, the belief that all individuals will engage in prostitution will be self-fulfilling.

Thus, we have the following proposition.

**Proposition 1**

(1) *When the condition*

$$(1 + \alpha)(H - L) < P(1) \quad (13)$$

*is satisfied, all the individuals work on the farm.*

(2) *When the condition*

$$P(0) < H - L \quad (14)$$

*is satisfied, all the individuals work as prostitutes.*

(3) *When the condition*

$$\frac{P(1)}{1 + \alpha} < H - L < P(0) \quad (15)$$

*is satisfied, there will be multiple equilibria: in one equilibrium, all the individuals work on the farm; in the other equilibrium, all the individuals work as prostitutes.*

**Proof.**

(1) If (13) is satisfied, noting (2), we know that (8) will be satisfied and (12) will not be satisfied. Thus, in this case, the only Nash equilibrium is that all the individuals work on the farm.

(2) If (14) is satisfied, noting (2), we know that (12) will be satisfied and (8) will not be satisfied. Thus, in this case, the only Nash equilibrium is that all of the individuals work as prostitutes.

(3) If (15) is satisfied, then both (8) and (12) are satisfied. Thus, in this case, there are two Nash equilibria. ■

The essence of our model is a tension between two “bads:” that which arises from being relatively deprived, captured by  $RD$ , and that which arises from engaging in humiliating work, captured by  $P(\lambda)$ . Balancing between these two “bads” can give rise to an explicit, voluntary choice to engage in humiliating work. Proposition 1 reveals that individuals may *choose* a degrading occupation (for example prostitution) even though the associated humiliation is large; the potential loss from not so choosing *and* experiencing relative deprivation can be even larger.

Proposition 1 demonstrates that different equilibria obtain under different “beliefs,” which suggests that “culture” could matter in individuals’ occupational choices. A testable implication of this result is that when we consider two villages in a poor country that are essentially identical, we will find that (nearly) all the individuals from one village engage in a degrading occupation, while (almost) no individuals from the other village will. Put differently, the distribution of the proportions of migrants who engage in a degrading occupation by villages (towns) of origin will be bimodal, rather than (close to) uniform.

A key parameter in Proposition 1 is  $\alpha$ . The larger  $\alpha$ , the more individuals care about relative deprivation. Also, the larger  $\alpha$ , the more likely it is that (13) will not be satisfied, which implies that the more likely it is that individuals will choose not to work on the farm and choose to work as prostitutes. A stronger concern for relative deprivation renders it more likely that prostitution will be practiced. We thus provide a theoretical reasoning, based on the approach of relative deprivation, that explains why some migrants choose to engage in degrading work.

For the sake of simplicity, we have assumed that the individuals are identical. If we relax this assumption by considering that individuals' attitudes towards becoming a prostitute vary, then the individuals who receive less disutility from engaging in degrading jobs will be the first to become prostitutes. But then, when these individuals get richer and return to their village of origin showing off their wealth, other individuals in the village will experience relative deprivation, which will induce other individuals to become prostitutes. And so on. Thus, even if, to begin with, a small fraction of individuals from a village become prostitutes, dynamic repercussions may result in many individuals from the village becoming prostitutes.

### **3. Welfare and policy implications**

In Scenario 1 if (8) holds, all the individuals work on the farm. In this case, from (5), we know that an individual's utility is  $u = L$ . In Scenario 2 if (12) holds, all the individuals work as prostitutes. In this case, from (9), we know that an individual's utility is  $u = H - P(1)$ . Thus, if (8) and (12) hold, then in equilibrium individuals will be better off working on the farm if and only if

$$P(1) > H - L \tag{16}$$

From Part (3) of Proposition 1, (16), and recalling that  $P(1) < P(0)$ , we have the following Proposition.

#### **Proposition 2**

When the condition

$$\frac{P(1)}{1+\alpha} < H - L < P(1) \quad (17)$$

is satisfied, there will be two equilibria: in one equilibrium, all the individuals work on the farm; in the other equilibrium, all the individuals become prostitutes. Meanwhile, in terms of every individual's welfare, the former equilibrium strictly dominates the latter equilibrium.

Proposition 2 implies that when (17) is satisfied, there is a possibility of a “coordination failure:” if individuals hold the belief that all others choose to be prostitutes, this belief will be self-fulfilling. In this case, the individuals will choose the “being a prostitute” strategy that renders everyone worse off.<sup>3</sup>

Conditions (13), (14), (15), and (17) are illustrated diagrammatically in the Figure that follows.

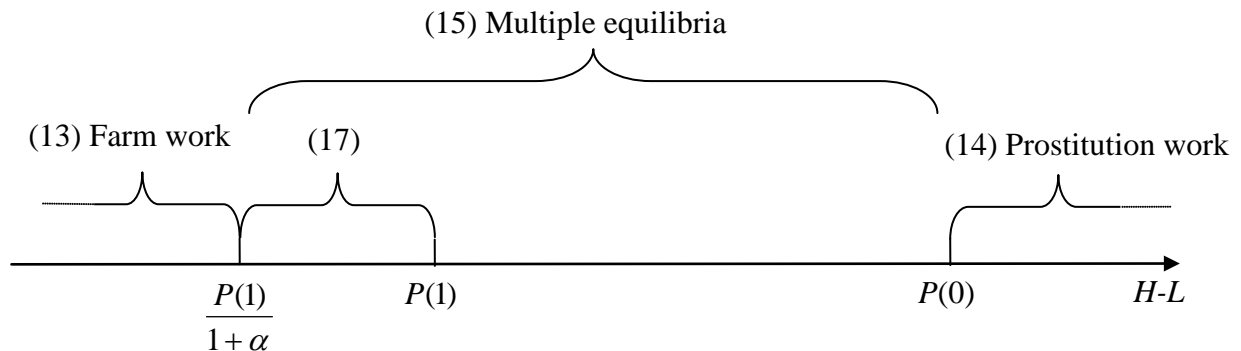


Figure 1. A schematic depiction of four conditions pertaining to the difference between the income from prostitution and the income from farm work.

We next turn to a policy implication that comes readily to mind: we consider a setting in which there is a crackdown on migrants' engagement in prostitution, so that a prostitute's income falls from  $H$  to  $\beta H$ , where  $\beta < 1$  is a positive constant. Drawing on Proposition 1, we have the following Proposition.

<sup>3</sup> This result is akin to a result derived in the model of Basu and Van (1998) who show that child labor is attributable to a “coordination failure.”

### Proposition 3

(1) When condition (17) is satisfied, and if  $\beta$  is small enough such that the following condition is satisfied

$$\beta H - L < \frac{P(1)}{1 + \alpha} \quad (18)$$

the only Nash equilibrium is that in which all the individuals work on the farm. Meanwhile, in this case, the policy intervention increases every individual's welfare.

(2) If the following condition is satisfied

$$\beta H - L > P(0) \quad (19)$$

then the only Nash equilibrium is that in which all the individuals work as prostitutes. Meanwhile, in this case, the policy intervention reduces every individual's welfare.

(3) When condition (17) is satisfied, and if the following condition is satisfied

$$\frac{P(1)}{1 + \alpha} < \beta H - L < P(0) \quad (20)$$

then there will be two equilibria: in one equilibrium, all the individuals work on the farm; in the other equilibrium, all the individuals become prostitutes. Meanwhile, when the latter equilibrium obtains, the policy intervention reduces every individual's welfare.

Proposition 3 implies that while government intervention can potentially increase social welfare, government policy must be implemented with caution. The Proposition further implies that cracking down on prostitution can potentially increase every individual's welfare *if* the policy is implemented strictly (that is, if  $\beta$  is small enough). This result is particularly interesting since in one equilibrium, *all* the individuals *voluntarily* choose to work as prostitutes, yet in this case the government makes a collective decision that severely punishes prostitution, which in turn can increase everyone's welfare. Interestingly, the effectiveness of

a policy (the magnitude of  $\beta$ ) is bound up with the role played by concern for relative deprivation ( $\alpha$ ): we can see that in order for (18) to be satisfied, if  $\alpha$  increases  $\beta$  will need to decrease.

However, if the policy is implemented loosely (that is, if  $\beta$  is large enough), we can see from Parts (2) and (3) of Proposition 3 that cracking down on prostitution will only reduce individuals' welfare without reducing the engagement in prostitution. In our model, individuals work as prostitutes in a foreign country. Consequently, policy implementation requires collaboration between a home government and a foreign government. However, international policy coordination is often difficult and inefficient. Also, in many poor countries there is rampant corruption, which hampers effective implementation of government policies. Therefore,  $\beta$  may be so large that the policy implementation will merely reduce social welfare.

#### **4. Concluding remarks**

This paper identifies conditions under which a migrant will *choose* to engage in degrading work rather than being forced into it, to work abroad as a prostitute, say, rather than on a farm. The paper builds on the assumption that the sense of humiliation which women experience when working as a prostitute, but not when working on a farm, will decline with a rise in the number of women from the place of origin who *choose* to become prostitutes. The paper shows how this concern about humiliation is affected by a sense of relative deprivation. The paper delineates the possible equilibria and finds that greater relative deprivation will make it more likely that the equilibrium outcome will be "engagement in prostitution." The paper calculates the levels of welfare associated with the various equilibria. It is shown that under well specified conditions, every individual will work as a prostitute, yet every individual would be better off working on a farm. Put differently, when specific conditions are satisfied, there is a possibility of a "coordination failure:" if individuals believe that everyone else will choose to be a prostitute, this belief will be self-fulfilling. In this case, all the individuals choose to engage in prostitution, which renders each of them *worse off*. The paper discusses various policy implications. It is shown that a policy intervention (a crackdown on migrants' engagement in prostitution), if implemented strictly, can increase everyone's welfare, but when the policy is implemented loosely, cracking down on prostitution will only reduce

individuals' welfare without reducing their engagement in prostitution.

When individuals care strongly about not falling behind others in their reference group, they may well choose, as migrants, to work in degrading and humiliating occupations even when an alternative is feasible. This outcome cannot then be blamed on the viciousness of others. Paradoxically, a unanimous choice can render everyone worse off, yet that is the equilibrium outcome. The success of a policy aimed at lifting migrants out of degrading work *and* raising their welfare depends not only on the “sign” of the policy, but also on its “magnitude.” And perhaps most interestingly, the effectiveness of a policy (the magnitude of  $\beta$ ) is bound up with the role of concern for relative deprivation ( $\alpha$ ): the stronger that role, the more stringent a policy needs to be in order to achieve its aim. “Since 2002, the policy of the United States has been to oppose prostitution, and to urge all governments to “reduce the demand” for prostitutes through education and by punishing those who patronize them. . . . As passed by the House of Representatives last year, a new bill . . . could have made it illegal for Americans to consort with prostitutes anywhere in the world” (*The Economist*, August 14, 2008).

Our analysis serves to show the care needed in implementing these and similar policies. In a similar vein, our analysis demonstrates that an effective crackdown on degrading jobs will increase social welfare even if (all the) individuals *voluntarily* choose to engage in degrading jobs. However, our model suggests that the crackdown on degrading jobs must be severe, or it will lead only to a decline in social welfare. In post-communist countries affected by moral decay, the governments have not made enough of an effort to curtail prostitution, often paying it mere lip service. For example, “To illustrate, in Moldova, the government and the IOM have promoted a widespread campaign, using billboards and other media, to advertise their message: “*nu esti marfa*” (“You’re not a commodity”).”<sup>4</sup> In the terminology of our model, the purpose of this policy is to influence the  $P(\lambda)$  function such that  $P_{billboards}(\lambda) > P_{no\ billboards}(\lambda)$ . Our analysis implies that to the extent that people do not look up at billboards but rather sideways at others in their home village, such policy measures may miss the point.

The idea that migration, relative deprivation, and social humiliation are intrinsically linked, that people migrate to escape humiliation and social stigma, and that the fear of humiliation impinges on behavior upon migration are ripe for reflection and analysis, and

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<sup>4</sup> <http://www.wilsoncenter.org/topics/pubs/MR312Kligman.doc>



should be taken more fully into consideration in the design of public policy. We have looked somewhat at these issues in this paper, in Fan and Stark (2007), and in Fan and Stark (2011). But more research is clearly warranted. In particular, a detailed empirical study that rigorously tests the theoretical implications is a challenging topic for future research.

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