

# Moving On: Migration in the Dual Relationship of Urban/ Rural Development

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The work presented refers to research carried out while at the University of Southampton and does not reflect the official opinion of the United Nations Food and Agriculture Organisation.

## Introduction

This paper explores the influence of migration in Indonesia on rural households by examining households' accumulation of household assets and farm and non-farm business assets.

It looks at internal migration which is often a more common form of migration than international migration. Internal migration in the form of temporary, seasonal and circular migration is often a coping strategy used by the poor and as such of particular relevance to development studies. Internal migration is also of particular interest in the Indonesian context as it is a particularly common phenomenon.

The analysis uses a livelihoods perspective which allows the effect of migration to be explored within varying types of households. Thus the impact on chronically poor households can be distinguished from the impact on more prosperous households which have higher levels of endowment.

The use of a livelihoods perspective also reflects the shift in the literature to a multidimensional/pluralistic perspective on migration which recognizes the variations in the actors, causes and results [3, 2, 4].

Past literature has provided a theoretical discussion of migrants as actors and of migration within structural constraints [3, 13]. However, there has been little empirical investigation of the resulting impacts on migrants, what little exists has been based on individual case studies. Large scale studies have tended to explore migration within the context of traditional neo-classical economic theories of migration and theories such as the New Economics of Labour Migration (NELM), where there has been little or no differentiation of migration groups [11, 12]. The neo-classical and NELM theories, while incorporating individual decision making, have a limited view of behaviour as a rational response to economic stimuli and fail to recognize the heterogeneity in migration decisions. The theory also fails to place migrants and migration within the context of the wider social structure.

The development of social network theory begins to explore this and to provide the theoretical space for the study of the influence of migration on development. Social network theory places migrants within the context of social and economic networks both at the destination and origin. Social network theory provides more room to explore the influence of migration on development by allowing for continued interaction between migrants and their origin as part of the migration process.

These later theories begin to develop an understanding of how migrants and migration influence development by placing the migrant within the wider community. The migrant is no longer viewed as an individual in isolation but is located within the household and the social structure through the examination of migration networks. However, the theories remain limited in the understanding of the role of migration on the development of the sending areas. This latter aspect has been

Under the livelihoods approach migration is seen not as a new development in traditional, stable societies but as a feature which has long been embedded in rural areas. The migrant remains embedded within the place of origin with migration occurring as a seasonal response to economic or climate shocks. Migration is thus a cyclical response to livelihood shocks and the seasonal economy. As part of this the migrant moves between the origin and destination several times over the life cycle, often for short periods.

As with the NELM, the migrant is located within the household and the broader social and economic context. More so than with other approaches this locates migration within the household and the broader social and economic context, particularly when assessing its impact on development. In particular migration networks and household structure and management are seen to influence the decisions of migrants and the impact on the local area. Migration is thus part of the diversification strategy of rural households. Under the livelihoods approach the nature of rural society in land holding, land rights and demand for labour is just as important as the need for labour in the cities. The focus is also not only on migration between rural and urban areas in response to labour supply but also between rural areas. The actors of migration under neo classical approaches are the wealthier members of a community. However, while it is accepted that international migration occurs more often among the wealthier members of a community, internal migration which is the focus of the livelihoods approach is a livelihood strategy used by all levels of rural society from the very poor to the wealthier members .

Livelihoods based work has offered some understanding of the variability among migrants but generalization is limited given the focus on individual cases [6, 8, 5, 7]. These studies have been heavily focused on the meaning given by migrants to their experience of migration. This study expands the analysis using a livelihoods approach through the analysis of a large scale longitudinal survey — the Indonesian Family Life Survey. The findings are thus generalizable and will provide a contribution to the empirical base.

## **Methodology**

The analysis uses a graphical chain modelling approach is used as it provides a means of investigating panel data by building up a series of standard regression models. It has been shown to be suitable for the analysis of panel data and in investigating complex systems using a large number of variables [1, 9]. Under this approach the potential causal relationships between variables and the processes leading to change are represented using a chain graph. The chain graph sets out the theoretical relationship between the dependent and independent variables. This also allows for the setting out of direct and indirect relationships among variables, and relationships over time.

The model developed, see figure below, looks at the propensity for migrant households to have a higher level of investment in productive assets than non-migrant households – as opposed to spending on consumer goods or housing.

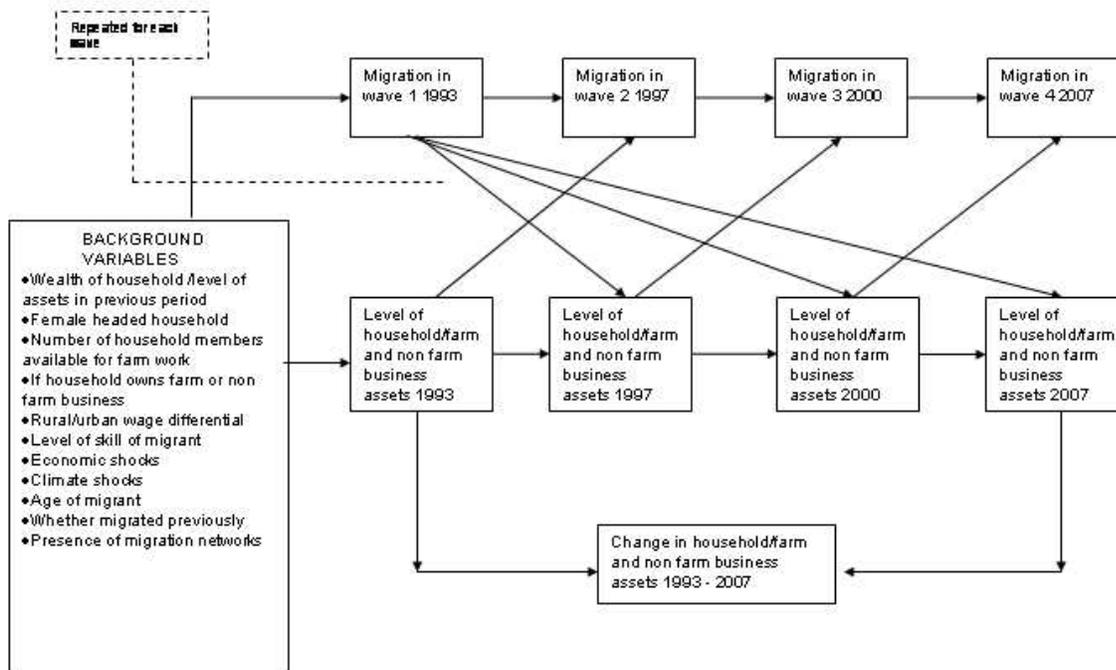
The background variables affect the propensity to migrate in wave 1 (1993). These variables at time t-1 also affect the propensity to migrate in subsequent waves-1997, 2000 and 2007. Households with migrants are theorised to be more likely to accumulate any assets - both productive and non productive. The model graphs this as the propensity to migrate at time t-1 affects the change in assets between time t and t-1.

The graphical model shows the link between level of assets and the reasons for migration. However, the empirical analysis does not examine reasons for migration but focuses on how migration affects development through accumulation of assets. The second level of the analysis examines

the absolute level of assets and variables affecting this. The model finally tests for the change in assets over time.

Two levels of the graphical chain model were tested: analysing the influences on absolute levels of assets of farm/non farm business for waves one and four and the influences on the change in farm/non farm business assets between waves one and four.

**Graphical Chain Model: Migration and Assets**



The asset models were operationalized using multilevel (random slopes) models [10] taking the general form

$$(1) \quad \log Y_{ij} = \beta_0 + \beta_1 X_{1ij} + \beta_2 X_{2ij} + \beta_3 X_{3ij} + \beta_4 X_{4ij} + u_{0j} + u_{1j} z_{1ij} + e_{ij}$$

where  $\log Y_{ij}$  is the log assets (household or business),  $X_{1ij}$  is a vector of variables measuring the level of earning power of households, including the log household consumption.  $X_{2ij}$  measures the migration characteristics of households.  $X_{3ij}$  is a vector of variables reflecting the household characteristics conducive to wealth creation and  $X_{4ij}$  is a vector of community level contextual variables (access to credit and community events, including natural disasters).  $u_{0j} + u_{1j} z_{1ij}$  represent the community level random effects and  $e_{ij}$  the household level random effects. The household is the first level of the model and the community the second level. The community data correspond to villages which formed the IFLS enumeration areas.

The change in assets between IFLS1 and IFLS4 was represented using

$$(2) \quad \log Y_{ij07-93} = \beta_0 + \beta_1 X_{1ij93} + \beta_2 X_{2ij07-93} + \dots + u_{0j} + u_{2j} z_{2ij} + e_{ij}$$

representing the vectors of variables in 1993 and the change in the vectors between 2007 and 1993.

### **Data: Indonesian Family Life Survey**

The IFLS (Indonesian Family Life Survey) is a longitudinal household survey which collects information on household living standards. The analysis uses wave one - 1993 and wave 4 - 2007. The sampling method is a stratified random sample stratified on provinces and randomly sampled within provinces. The sampling frame covers 13 of Indonesia's 27 provinces. The survey therefore cannot be used to make statements regarding the nature of migration in fragile states as non of these were included in the sample. However, the sample is representative of migration and development in a lower middle income developing country.

The household sample is based on a multistage cluster sample. The primary sampling unit are the population census EAs, from which 321 EAs were sampled. The survey oversampled urban EAs and EAs in smaller provinces rather than using probability proportional to size (PPS) as a PPS sample would be dominated by Javanese who comprise 50% of the population. The secondary sampling unit are the households within the EAs which were selected randomly within EAs.

The sample used for the analysis consisted of 6,702 households that remained in the study between waves 1 and 4. The model for farm/non-farm business assets is based on the subset of the total sample, that is only households with farm/non farm business assets. The consumption variable consisted of food expenditure and non food non food expenditure frequently purchased goods, such as transportation, toiletries, utilities and recreation. This avoids any overlap with the dependent variable.

### **Results**

Results for the random effects model on household and farm/business assets are in Table 1. Migration was not a significant variable in the models of either household or farm/non farm business assets.

For the regression on household assets for wave 1 (IFLS1) for the fixed part of the model the province variables are not significant (Java-the wealthiest province is the reference category) but is retained to account for sampling design. The effect of household expenditure is substantial with an elasticity of 0.864, so a 1% increase in expenditure generates a 0.864% increase in household assets. Being below the poverty line decreases the level of assets by 81% for every log rupiah of expenditure below the mean. Unsurprisingly the level of assets decreases with poverty depth. Having a female household head increases assets by 56% in urban areas but only by 11% in rural areas. Higher levels of education increases assets sharply — with secondary education assets increase by 22% but with tertiary the increase is much greater by 142%. A 1% increase in the dependency ratio decreases assets by 32%. The effect of belonging to a wealthier community increases assets by 27% for every 1% increase in mean community expenditure expenditure.

The random part of the model gives the variance partition coefficient of  $0.6318/(0.6318 + 2.085) = 0.233$  where households have female heads and  $0.192/(0.192 + 2.085) = 0.085$  where households have male heads. The between community variance increases where households have female heads and 23% of the unexplained difference in assets is due to differences in proportions of female headed households between communities but only 8% in male headed households. The covariance between the slope and intercept is positively correlated but weak, so being a female headed household in below average communities only slightly improves level of assets.

For the model on household assets in IFLS4 neither the province nor rural variables are significant. Household consumption is a substantial effect with a 1% increase in consumption having a .9539% increase in household assets. Being below the poverty line also decreases the level of assets by 32%. While poverty depth is still important the effect is less than in 1993. Owning a farm or non farm business increases assets by 38%. Having a female household head is not significant but education and dependency ratio remain significant. Education has retained its effect over time as having household heads with secondary education increases assets by 33% and with tertiary by 110%. The effect of tertiary education is lower but the definition in 2007 included a wider range of tertiary institutions. A 1% increase in the dependency ratio decreases assets by 22%. In 2007 household size also has an impact with a 1% increase in household size decreasing assets by 6%. Of the level two variables only the level of natural disasters is significant but with only a small effect — a 1% increase in disasters decreasing assets by 2%.

In the random part of the model between community variance increases slightly with increases in log household expenditure. Differences between communities in expenditure are greater away from the mean. The covariance between the slope and intercept is negatively correlated, so higher expenditure in below average communities have higher levels of assets and below average communities with below average expenditure have lower levels of assets.

**Estimating Farm and Non Farm Business Assets** Results for the random effects model on farm/business assets are in Table 1. For wave 1 being a rural household is associated with an increase in farm or business assets of 206%. This is unsurprising as these are more concentrated in rural areas. Household consumption remains a strong effect with a 1% increase in log consumption increasing assets by 1.040%. Being below the poverty line decreases assets by 57% - this is the opposite direction to household assets; however, it is poorer households who tend to have farm and non farm businesses. A 1% increase in the dependency ratio decreases assets by 66%. This is surprising but it is poorer households which tend to have more dependents. Having a female household head decreases business assets by 53%, an opposite effect to that for household assets which increased. Education has a strong positive effect with households with heads with secondary education increasing assets by 49% and those with tertiary by 101%. Of the contextual variables a 1% increase in natural disasters decreases assets by 15%. As expected the effect is much larger for farm businesses than household assets.

The random part of the model has random slopes for female household heads. The variance partition coefficient is  $1.423/1.423+4.127=0.0256$ . In all 25.60% of the variance is explained by between community variance. The intercept slope covariance is negative.

For IFLS4 in 2007 the rural variable also has a strong effect with rural households having an increase in business assets of 190%. Household expenditure has strong effect with a 1% increase in log household expenditure increasing assets by 1.353% taking into account the interaction with household consumption. Being below the poverty line is not significant in wave 4 even though the mean level of farm assets is substantially lower for those below the poverty line. Secondary education increases the level of assets by 48% and tertiary by 70%, lower than IFLS1 but a similar pattern to that for household assets. A 1% increase in household size decreases assets by 7% — household size is often used as a proxy for farm labour but is not associated with an increase in assets. Female headed households have a decrease in assets by 30%, somewhat less than IFLS1 but still substantial.

For IFLS4 only random intercepts were significant. The random portion of the model explains 37% of the variance. The plot of the community intercepts is flatter than IFLS1 with fewer communities having a significant difference from the mean.

*Parameter Estimates for two level random effects model household and farm/business assets*

Table 1:

Variable	IFLS1 House- hold Assets	IFLS4 House- hold Assets	IFLS1 Farm Assets	IFLS4 Farm Assets
Fixed Part				
Constant	13.79 (1.443)	15.368(0.119)	15.475 (0.296)	13.189 (0.249)
Province				
N Sumatra	-0.510 (0.173)	-0.492(0.146)	0.237 (0.334)	.379 (0.307)
W Sumatra	-0.060 (0.195)	0.256(0.170)	-0.539 (0.3788)	-.113 (0.341)
Riau		-0.285(0.367)		1.565 (0.812)
S Sumatra	-0.754 (0.194)	-0.316(0.155)	-0.294 (0.383)	.2522 (0.321)
Lampung	-0.368 (0.217)	-0.187(0.176)	0.337 (0.396)	.7878889 (0.355)
W Java	-0.093 (0.141)	0.086(0.133)	-0.554 (0.296)	-.185 (0.264)
Yogyakarta	0.186 (0.180)	0.264(0.161)	1.200 (0.341)	1.326 (0.317)
E Java	0.234 (0.159)	0.347(0.130)	0.412 (0.305)	.375 (0.267)
Bali	0.216 (0.187)	0.399 (0.166)	0.891 (0.379)	1.033 (0.340)
W Nusa Tenggara	-0.328 (0.193)	0.070(0.163)	0.236 (0.362)	.828 (0.331)
S Kalimantan	-0.517 (0.197)	0.141 (0.161)	-0.244 (0.370)	.235 (0.330)
S Sulawesi	0.112 (0.197)	-0.192(0.164)	0.147 (0.363)	.384 (0.324)
Rural	0.021 (0.086)	-.134(0.061)	1.120 (0.134)	1.066 (0.121)
Log Household Expenditure per capita centred	0.864 (0.040)	0.953 (0.040)	1.040 (0.069)	1.353 (0.102)
Below poverty line	-1.288 (0.534)	-0.391(0.221)	0.454 (0.132)	
Owns Farm or Business As- sets		0.320(0.042)		
Female Household Head	0.446 (0.109)		-0.750 (0.152)	-0.365 (0.107)
Dependency Ratio	-0.381 (0.092)	-0.253 (0.096)	-0.410 (0.166)	
Education				
Secondary	0.198 (0.052)	0.284(0.045)	0.400 (0.097)	0.392 (0.096)
Tertiary	0.887 (0.107)	0.743(0.082)	0.700 (0.230)	0.531 (0.170)
Household Size		-0.056 (0.010)		-0.075 (0.021)
Log Mean Household Ex- penditure (community level)	0.270 (0.110)			
Community Event 1 - Natural Disaster		-0.019(0.004)	-0.168 (0.068)	
Rural x Female Household Head	-0.338 (0.147)			
Below poverty line x log household expenditure per capita centred	-0.406 (0.144)			
Rural x Log Household Ex- penditure per capita				-0.268 (0.121)
Random Effects				
$\sigma_{u0}^2$	0.192 (0.028)	0.198 (0.030)	0.694 (0.098)	0.795 (0.053)
$\sigma_{u1}^2$ female head	0.360 (0.127)		1.539 (0.441)	
$\sigma_{u01}$	0.040 (0.046)		-0.410 (0.172)	
$\sigma_{u2j}^2$ log household expendi- ture		0.084 (0.032)		
$\sigma_{u02}$		-0.037(0.023)		
$\varepsilon_{ij}$	2.08 (0.042)	1.311 (0.030)	4.127 (0.106)	2.141 (0.026)

### Estimating Change in Household and Farm/Non Farm Business Assets

The model results in Table 2 examine the relationships influencing the change in assets between 2007

and 1993. The model conditions on prior condition by including the 1993 variable. The difference models adjusts for non random differences between migrant and non migrant groups. The 1993 province and rural variables were included to adjust for sample design - which was based on the 1993 conditions. Variables were retained only if significant.

Fewer variables were significant in the difference model. A 1% change in the difference in household expenditure generates a 0.595% change in the difference in household assets. In the difference model being a household which has migrated produces a 28% change in assets. Moving from primary to secondary or tertiary education produces a 37% increase in assets, and having a tertiary education in both periods produces a 60% increase. A 1% increase in dependents decreases assets by 47%. A 1% increase in household size produce only a very small increase- 3%. The education, dependency ratio and household size variables have been consistently significant. However, female headed households and the community level event of natural disasters is no longer significant. Interestingly, migration is significant in the change in assets between the two waves although it has not been significant in any of the single wave models.

The variance partition coefficient is  $0.141/(0.141+2.558) = 0.052$ , so the random part of the model explains only 11% of the variation. The random slope varies with the change in log household expenditure.

For the model of the difference in farm and non farm business assets a 1% increase in the difference in household expenditure also generates a substantial increase of 0.552% in farm/business assets. The influence of change in education differs from household assets - while moving from primary to secondary /tertiary also generates a large percent increase 96%, the change from secondary to tertiary is also large at 189%. A 1% increase in the dependency ratio generates a decrease of 81%.

Of the random components only the random intercept is significant, and most of the communities are not significantly different from the average. The variance partition coefficient is  $0.328/(0.328+2.380) = 0.121$  so 12% of the variance between communities and 88% within. The model could be as well represented by a single level model.

#### *Parameter estimates for the two level model of change in assets 1993-2007*

Table 2:

Variable	Household Assets (S.E.)	Farm/Business Assets (S.E.)
<b>Fixed Part</b>		
Constant	0.875 (0.199)	1.212 (0.331)
<b>Province</b>		
N Sumatra	0.574 (0.199)	-0.221 (0.404)
W Sumatra	0.496 (0.219)	-0.143 (0.438)
S Sumatra	0.637 (0.206)	-0.097 (0.418)
Lampung	0.734 (0.221)	-0.055 (0.408)
W Java	0.133 (0.157)	-0.561 (0.366)
C Java	0.571 (0.164)	-0.191 (0.361)
Yogyakarta	0.573 (0.192)	-0.641 (0.383)
E Java	0.61 (0.161)	-0.387 (0.361)
Bali	0.506 (0.194)	-0.357 (0.406)
W Nusa Tenggara	0.763 (0.198)	-0.163 (0.394)
S Kalimantan	0.65 (0.208)	0.088 (0.401)
S Sulawesi	0.295 (0.205)	-0.143 (0.401)
Rural93	0.032 (0.079)	0.167 (0.135)
Log Household Expenditure Centred 93	0.124 (0.053)	

Variable	HH Assets 1993–2007(S.E.)	Farm/Business 1993–2007 (S.E.)	Assets
Log Household Expenditure07–93	0.595 (0.054)	0.552 (0.073)	
Migration-before or after 1993	0.250 (0.064)		
Female Household Head F > F	-0.278 ( 0.098)		
Dependency Ratio93	-0.572 (0.225)	-1.953 (0.406)	
Dependency Ratio07–93	-0.632 (0.162)	-1.676 (0.286)	
Education07–93			
Ter > Ter	-0.506 ( 0.160)		
Prim > Sec/Ter	-0.469 (0.108)	0.674 (0.213)	
Sec > Ter		1.062 (0.374)	
Household Size07–93	-0.03 (0.013)		
Log Mean Household Expenditure (community level)			
Community Financial Institution07–93	-0.054 (.035)		
Random Effects			
$\sigma_{u0}^2$	0.159 (0.042)	0.382 (0.091)	
$\varepsilon_{ij}$	2.558 ( 0.063)	2.380 (0.037)	
$\sigma_{u1}^2$ log hhold expenditure07–93	0.118 (0.042)		
$\sigma_{u01}$	-0.068 ( 0.035)		

## Discussion

The accumulation of household assets is associated with variables tied to wealth creation; however, to some extent the accumulation of farm/non farm business assets is linked to variables associated with poverty. The variables with consistently large effects are household consumption, education, the dependency ratio. Increased household consumption and higher education levels are associated with higher levels of household and business assets and higher levels of dependency with lower levels of assets. It is not clear from the analysis whether dependents consist of children or elderly relatives. The dependency ratio is associated with an increase in non farm and farm business assets; nevertheless, it is lower income households which tend to have higher levels of these assets and also more dependents. Nevertheless, the education and population processes are key areas in development. In terms of policy, this highlights that key sectors remain some of the most important despite the rise of new initiatives such as the benefits of remittances from migration. Consumption is associated with assets, as expected higher levels of income also lead to generation of longer term assets. Migration is only significant in the model of change between 1993 and 2007. It is associated only with a small change in the level of household assets. Compared to the other variables in the model migration cannot be seen as having a large influence on asset accumulation. It may be worth looking more explicitly at the level of remittances on an aspect of asset accumulation — these data were not available in the survey used.

Other variables, such as gender, geography and household size show less consistent effects.

These have been significant but not for both waves and not for all models. As expected rural/urban differences are significant in the accumulation of farm/non farm business, but this variable was not significant for household consumption. This suggests that poverty is not strictly a rural phenomenon in Indonesia but that urban poverty is also an issue.

The random effect explains around 20% of the variance for the models of household assets but less for farm and business assets. For the models of absolute poverty there is very little variance between communities. Of the contextual variables only the number of natural disasters and presence of a financial institution were of influence. The presence of natural disasters increased household assets which was surprising.

The analysis was carried out at a general level - household and farm/non farm business assets incorporates many variables. Further work focusing on more specific policy areas could look at accumulation of a particular type of asset, for instance, land or housing quality which could lead to more specific recommendations for policy. However, the survey used was a general household survey so this level of detail was not available. More detailed work would require more specialized data.

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### **RÉSUMÉ (ABSTRACT) — optional**

*Past research has viewed migration as contributing to urbanisation through the supply of labour to support urban growth and the modern industrial sector. As a result research on migration has traditionally focused on the impact on migrants and receiving regions. More recent work examines the impact of migration on the development of sending regions. This research is based on a livelihoods approach which situates migration as part of the process of rural development and defines migrants not as a homogeneous entity but as the realization of a diversity of migrant groups and migration outcomes. The livelihoods approach explains the outcomes of rural development through a strategic combination of activities by households and household members to maintain, secure and improve livelihoods. These strategies are based not only on financial capital - with a corresponding focus on income led development but also physical, social and human capital which positions poverty and rural development within a wider understanding of development as part of social exclusion, capabilities and basic needs. Research using this perspective has been based on case studies with little use made of quantitative data from large scale household surveys.*

*This research examines the impact of migration on the assets of migrant households in Indonesia, namely selected household and farm/business assets between 1993 and 2007. This allows for an examination of the propensity for migrant households to have a higher level of investment in productive assets than non-migrant households, as opposed to spending on consumer goods. The data used is the Indonesian Family Life Survey; a longitudinal household consumption survey with an additional migration module. A graphical chain model approach is used which allows for modeling the reciprocal relationships between migration during the life course and changes in asset accumulation. The conceptual model was operationalised using multilevel (random slopes) models. The models controlled for the earning power of households, household characteristics conducive to wealth creation, community level contextual variables (access to credit and community events, including natural disasters). The results do not suggest a consistent relation between migration and asset accumulation, with variables related to gender and household composition having a greater level of influence on asset accumulation.*