

## **MIGRANTS AS FAMILIES' RISK-TAKERS: Evidence from China**

Migrants are typically less risk-averse than non-migrants, according to research to be presented to the NORFACE migration conference at University College London this week. And they are usually the most entrepreneurial person in their households.

The study by **Christian Dustmann, Francesco Fasani, Xin Meng and Luigi Minale** analyses the role of 'risk aversion' in shaping people's decisions about whether to migrate from the countryside to the city in China – something that vast numbers have done in recent years.

The researchers use unique data on the risk attitudes of both rural-to-urban migrants and their family members who they leave behind. Attitudes toward risk have been elicited with direct questions and validated with experimental games for some of the respondents. Observing the risk attitudes of both migrants and other household members helps to shed light on the household's collective decision-making.

The results suggest that not only is an individual's absolute attitude toward risk important, but also their relative position within the household. Overall, households appear to resolve the trade-off between the incentive to diversify risk and the higher risk to which the single migrant is exposed by sending the least risk-averse member in the family to the city.

In recent decades, China has experienced unprecedented rates of internal migration, mainly from rural to urban areas. On an individual level, potential migrants face considerable uncertainties, such as whether and how soon they will find a good job or whether they will get sick because of the harsh living conditions.

The migration decision can thus be seen as playing a lottery where the potential gains are attractive, but the risk of losing is high. Consequently, an individual's attitude towards risk is potentially an important determinant of the aforementioned decision.

The authors model migration as a household decision where two factors have to be taken into account. On the one hand, households relying on volatile agricultural income have an incentive to diversify income through migration of one or more family members, on the other hand, migration is a risky enterprise.

The study then analyses data collected within the Rural-Urban Migration in China and Indonesia project in 82 rural counties. The results show that, typically, a decrease of one unit in a risk aversion index (which goes from 0 to 10) is associated with a 8% increase in the probability of migration.

Professor Dustmann, one of the research team, says:

'We are interested in understanding who the migrants are. Their attitude towards risk is an important characteristic that has been overlooked.

'It is important to know more about that since risk aversion plays a role in many economic activities, such as the entrepreneurship.

'Furthermore, where migration is a family strategy, looking just at individual characteristics is not enough. Considering the household, and the heterogeneity in preferences within it, can help us better understanding who migrates and why.'

ENDS

'Risk Attitudes and Migration: Evidence from China' by Christian Dustmann, Francesco Fasani, Xin Meng and Luigi Minale from the UCL Centre for Research and Analysis of Migration (CReAM)