

## **The Effects of U.S. Migration on Social Mobility in Mexico**

### **A Tale of Two Migrants**

Martin grew up in San Miguel de Allende, a colonial city and popular tourist destination in the heart of Guanajuato, Mexico. Although Martin only completed a few years of formal education, he learned from his uncle and father the craft of designing the brilliant cutout aluminum star-shaped lampshades for which San Miguel de Allende artisans are known. By 1995, Martin was in his early twenties and Mexico was in the throes of its third financial crisis in a decade. Fearful of not locating a stable job outside of the family business, Martin said goodbye to his wife and three young children and joined the hundreds of thousands of Mexicans who sojourned north each year during the country's great migrations of the 1990s and 2000s. The U.S. economy was booming, producing a strong demand for foreign workers, particularly in occupations that Americans were gradually abandoning such as construction, light manufacturing, and services. Martin easily found an entry-level job in California's commercial construction industry. Impressed by the initiative Martin demonstrated--showing up early and asking about how to do things---his boss gave him more responsibility and increased his wages. During his 11 years working for the same American contractor, Martin moved from general laborer to framer to master carpenter earning \$100 a day. He remitted most of his earnings home to his wife who used them to purchase land and then educate their three children. During his years in the U.S. labor market, Martin acquired multiple technical skills through informal learning, observation, and trial and error. He also learned English watching television and acquired customer service skills through interactions with co-workers. When he returned home in 2003 at the age of 40 to reunite with his wife and children, he opened a small sundries store but it was unsuccessful. Next, using the English and social skills acquired in the United States, he started his own taxi service catering to English-speaking tourists. When last we visited Martin in 2018, his daily earnings had climbed to \$100-\$200 a day. He had purchased a Toyota Camry, expanded his business, and was driving English-speaking tourists in San Miguel de Allende to different Mexican cities where he guides them through the country's historic sites.

Victor was born in an agricultural community with an established history of outmigration to the United States. Not having formed a family of his own, and in search of adventure and opportunity, at the age of 18 Victor migrated without authorization to join friends in Chicago. Like Martin, Victor also left home during Mexico's great migration and easily found work in the booming U.S. construction industry. For the next 12 years, Victor became part of a circular migration flow between Mexico and the United States, traveling abroad to work for a period of time and then returning home to spend time with family. During these years he worked various jobs typically held by immigrants in the hospitality and construction industries. Like Martin, Victor also succeeded in moving up from general laborer to foreman, earning \$35 an hour. In 2012, still relatively young at 32, Victor's migration career was cut short when his mother became ill and he returned home to care for her. There, however, Victor found little demand for the sophisticated construction skills he had acquired in the United States. Lacking the financial resources to hire someone with such skills, most residents in Victor's rural Mexican hometown built their own homes with techniques passed down or learned from family and friends. Unwilling to leave his parents and community to look for work in a city where his skills might be recognized and rewarded, and with few savings to launch his own business, Victor found an assembly-line job at a General Motors factory an hour away by bus, earning an entry-level wage of 1500 pesos per week. When we visited Victor in 2017, he voiced frustration with the monotony of his job and the limited mobility in an industry that has thrived under the flexible rules of the North American Free Trade Agreement (NAFTA).

## **Introduction**

Often referred to as a "nation of emigrants," Mexico is now experiencing unprecedented return migration. The pull of family, improved economic conditions in Mexico, and increased border and interior enforcement in the United States, have led more and more migrants like Victor and Martin to return home. Between 2005 and 2014, 2.4 million Mexicans returned home from the United States, double the figure from the previous decade. Migration between the two countries is now below 0, meaning that more Mexicans leave the United States than enter, preferring to settle in Mexico, a major change in a historically circular system and a critical moment in which to assess how U.S. migration experience shapes the long-term economic fortunes of Mexican return migrants. In this paper we argue that migration can create new

opportunities for Mexican workers who have lived and labored abroad: they can accumulate savings and acquire new technical, social, and language skills that they can then mobilize in the Mexican economy upon return to increase their economic prospects.

Yet, as the cases of Victor and Martin show, reintegration into local labor markets is a complex and uneven process that depends on a variety of individual and contextual factors. First and foremost, opportunities for economic mobility are shaped by patterns of inequality in highly stratified societies like Mexico. Indeed, most working-class migrants like Victor and Martin, left their hometowns in response to limited opportunities in their origin communities. Second, the ability to transfer resources acquired abroad to improve long-term economic situations upon return, depends on the economic and spatial characteristics of home communities. Urban areas with diverse industrial sectors provide greater opportunities to invest new resources than do rural areas. Third, the types of work in which migrants labor upon return are frequently shaped by the occupations and skills that they acquired before migration and while abroad. Because these occupational trajectories are often gendered, reintegration patterns and the mobility pathways of men and women can also differ. In this essay, we draw on ten years of fieldwork interviewing migrants and observing worksites in Mexico to show how divergent labor market experiences among return migrants result from the mobilization of new resources acquired abroad but depend upon local economic factors that shape returnees' economic opportunities.

### **Inequality and Social Mobility in Mexico**

Mexico is a highly stratified society with a small well educated professional class at the top and a large group of workers with little schooling at the bottom. Those at the bottom are concentrated in the informal labor market, a sector that includes a loose conglomeration of independent workers and small firms that are not formally registered, regulated, or taxed. In this sector, workers have no social security, employer health coverage, or benefits. Historically, Mexican workers with little schooling could achieve economic mobility in one of two ways: first, through the formation of small agricultural and manufacturing businesses, which offer an opportunity to maximize returns to skills that less educated laborers often accumulate in the home and across years of informal sector work; and second, through occupational mobility, which could lead to higher earnings and promotions. These labor market mobility pathways were

largely protected by Mexico's long-running import substitution model, which insulated domestic enterprises from large multinational competitors. Throughout the 1960s and 1970s, under this model, Mexico experienced robust economic growth, averaging about 6 percent of GDP per year.

In the 1980s, Mexico began a dramatic move away from import substitution and a push toward greater global integration and neoliberal economic policies which culminated in 1994 when Mexico signed NAFTA. This trade agreement ushered in a wave of multinational firms that established manufacturing plants throughout Mexico. Exposure to foreign competition undercut domestic entrepreneurs who were no longer protected by state subsidies. NAFTA also reduced opportunities for occupational mobility among workers with little schooling as large multinational manufacturing plants offered primarily low-skilled assembly line positions with limited opportunities for advancement. The rapid decline in labor market mobility opportunities for most Mexicans with little schooling was exacerbated in 1995, when Mexico ended a strategy of currency manipulation and allowed its currency's value to fluctuate on the global market. Peso inflation was 52 percent in 1995, 28 percent in 1996, and remained above 10 percent for the remainder of the 1990s. Thus, as good manufacturing jobs eroded and huge multinational assembly plants flattened out the occupational structure, real wages entered a free fall.

In an effort to increase economic mobility opportunities among the most disadvantaged, Mexico introduced a series of educational reforms that included the construction of new schools throughout poor and rural communities and culminated in 1992, when the Mexican government enacted the National Agreement to Modernize Basic Education (NAMBE), which subsidized lower secondary school completion (grades 7-9) and made its completion mandatory. However, there were unintended consequences from these educational reforms. As a growing proportion of Mexican youth from poor to modest backgrounds completed nine years of schooling, matriculation beyond lower-secondary school became increasingly dependent on parental social class. Without additional help to pay tuition, which is required to enter *la preparatoria* (Mexican high school), children of modest means rarely advance beyond the subsidized portion of their schooling. At the same time, as the population's overall educational attainment increased, so did employers' expectations, increasing the level of educational credentials for new employees. Thus, although the reforms expanded education for many, they did not ensure an increase in

social mobility. Those with some secondary schooling can now qualify for jobs in low-wage service work or in one of the many manufacturing firms located in Mexico's expanding industrial parks. Although these jobs come with formal sector health benefits, pension plans, and some job stability, as Victor's experience illustrates, they come at the cost of monotonous assembly line work, low entry wages, and limited mobility opportunities.

Because of such retrograde conditions, scholars generally view self-employment as the primary upward mobility pathway available to Mexican workers with little schooling and low levels of social and cultural capital. Certainly, self-employment has always been an important mobility pathway for Mexican workers, but in the 1990s it assumed even greater significance in response to the contraction of skilled wage labor. Successful entrepreneurship among workers with little schooling could disrupt Mexico's intransigent class structure and provide low-wage workers with increased autonomy and opportunities for higher earnings. However, insufficient savings and inefficient credit markets constrain start-up prospects for most workers with little schooling. With limited access to loans, these workers must set aside a portion of their earnings to accumulate necessary funds for tools, workspace, vehicles, and other required capital outlays. These long-term strategies are inherently unstable due to the uncertainty of informal sector jobs and limited insurance markets in the event of unexpected expenses that often destabilize low-income households.

In response to the rapid deterioration of economic opportunities in Mexico, by the mid-1990s more and more Mexicans were heading north in hopes of expanding their livelihoods. This exodus would become known as Mexico's great migration. From the mid-1990s through the early 2000s, about 400,000 Mexicans entered the United States each year, and the number of Mexicans living in the United States nearly tripled, from 4.3 million in 1990 to 11.7 million in 2010. During this period, the profile of Mexican migrants shifted dramatically. The financial crises of the mid-1990s which punctuated the process of economic liberalization, not only displaced rural workers who had long sojourned in the United States on a temporary basis, but also uprooted small producers and workers in urban areas, especially those working in industries like construction that are vulnerable to sudden contractions. For the participants in Mexico's great migration, the United States offered the promise of high wages and upward mobility, through which many hoped to recoup their lost economic opportunities.

Yet, like Victor and Martin, many of these new migrants remained firmly embedded in their sending communities through transnational ties to family and community members. These strong family ties, coupled with a U.S. recession and increased border and worksite enforcement in the United States, triggered the return process for millions of Mexicans from 2005 to the present day. Many of these recent returnees draw on their migration experiences --- earnings and skills acquired abroad---in an effort to improve their economic positions upon returning home. In the following section, we identify and discuss the factors that shape return migrants' successful mobilization of the resources they acquired abroad, in the hopes of better understanding the lasting consequences of U.S. migration for economic mobility in Mexico.

### **Resource Mobilization in Individual and Community Contexts**

A growing scholarship on Mexican return migration finds that U.S. work experience is associated with higher odds of both upward and downward occupational mobility and entry into self-employment. In other words, labor market reintegration is a complex and uneven process for return migrants. In this section, we argue that these divergent pathways result from three sets of interrelated factors: (1) the resources that migrants are able to transfer and mobilize in their home communities (i.e., human and financial capital); (2) migrants' demographic backgrounds (their gender, life course stage, and education); and (3) the context of return—whether migrants return home voluntarily or via formal deportation orders.

#### *Mobilizing Skills to Climb the Occupational Ladder*

Technical skills learned in U.S. jobs can open doors to upward occupational mobility in the Mexican labor market, especially in industries like residential and commercial construction and auto repair, where learning takes place informally, on the job, through social interactions with coworkers, close observation, practice, informal mentoring, and trial and error—interpersonal not institutional experience. The ability to transfer these technical skills is largely shaped by the local characteristics of the communities to which migrants return and the gender of the returnees. Because construction and auto repair are thriving industries in the United States and Mexico, considerable occupational specific experience abroad can be channeled into comparable industries upon return, but place of return makes a difference. Because residents in poor rural communities lack the resources to hire someone with these technical skills, opting

instead to fix their own cars and build their own homes, mobilization of these skills is most successful in urban areas with a diverse industrial base and a large customer population. In some urban areas in Mexico, wealthy Mexican residents and many American ex-pats will pay a premium for contractors skilled in U.S.-style home design. Auto repair provides a similar context for Mexican migrants to mobilize new technical skills. Mexican mechanics traditionally repair broken parts, but in U.S. auto shops, Mexican immigrants often learn to diagnose problems with computers and then order replacement parts. Upon return, migrants can mobilize these new technical skills to gain increased responsibility and potentially higher wages. From our own work, we know that experience working in the auto industry in the United States can also lead to a job in one of the many auto parts and auto manufacturing firms in or near the Leon-Celaya-Silao corridor that is home to General Motors, Mazda, Honda, Pirelli, and other firms. Mobility within these companies is difficult without a formal education and expensive in-house training, but when migrants with little schooling are able to demonstrate sophisticated skills learned abroad (working with electrical engineering, diagnostic experience), and they are recognized by employers in these firms, they can sometimes access better paying positions. Because industries like construction and auto repair are male dominated, mobilization of technical skills most commonly occurs among male returnees.

Both men and women migrants also mobilize non-technical skills upon return, including English language competence and a host of social skills, including customer service skills and new ways of approaching work. The transfer of English language capital is especially important in explaining occupational change and wage increases among return migrants. In large cities with sizeable service sectors, customer service and organizational skills are commonly rewarded and English-speaking staff are paid more or given more responsibility compared to their non-English-speaking counterparts. In large cities that cater to international business travelers or attract English-speaking tourists, English-language skills are also at a premium. In these large cities and tourist destinations, return migrants often labor as waiters, clerks in retail stores, taxi drivers, and guides. By contrast, there are few opportunities for migrants to apply their English language skills or social and interpersonal skills in rural hamlets and small towns as there is simply no demand for services in these local economies. In some cases, migrants who returned to rural communities subsequently relocated to urban areas where their English language and customer service skills could more effectively be recognized and rewarded.

### *Skills, Savings, and Business Formation*

Numerous studies document that return migrants are more likely than non-emigrants to engage in entrepreneurial activities and that sometimes these micro-enterprises can facilitate local economic development. Foreign work experience contributes to self-employment upon return in two ways. First, savings accumulated abroad are critical to the establishment of new businesses in Mexico, where access to bank loans is limited, and returnees who bring home a few thousand or even a few hundred dollars can start a small business. For migrants like Martin, who financed his taxi service with U.S. savings, accumulated financial capital is essential to getting a nascent enterprise off the ground. But savings alone do not guarantee a venture's success. From numerous interviews and worksite observations with self-employed return migrants, we found that the long-term success of a business also relies on the transfer and application of new technical, social, and English skills learned abroad. Sometimes as well these business ventures result in new economic niches that can expand possibilities for local development. Consider Martin, the taxi driver whose narrative opened our essay. With his English language and customer skills he carved a new niche in the San Miguel de Allende market, one driven by expats and tourists. Or consider the case of Miguel, a carpenter who uses his savings and carpentry skills acquired in the United States to carve a new niche and open a woodworking business that provides housing and U.S.-style cabinets to return migrants.

Despite the potential to fuel productive enterprises, the mobility returns to technical, English language, and social skills are most concentrated in large urban areas with dynamic industrial bases and large diverse populations. In these saturated urban labor markets new technical skills provide entrepreneurs an edge over local competitors, while diverse domestic and international clientele recognize and reward accumulated interpersonal and language skills. By contrast, in rural areas with high rates of poverty and small populations, economic activity is largely constrained to agricultural production and small-scale manufacturing. In these rural areas, return migrants can invest anywhere from a few hundred to a few thousand dollars in small manufacturing operations, agricultural enterprises, or small retail stores, but opportunities to mobilize new social and technical skills through entrepreneurship or to affect local development are limited.



## *Barriers to Labor Market Reintegration*

Not all Mexican migrants achieve economic mobility upon return home. Perhaps not surprisingly, the very factors that motivate many migrants to travel abroad—long-term labor market marginalization and limited educational attainment—often shape their labor market experiences upon return. Labor migration is a strategic response to long-term marginalization among older workers. In Mexico, these workers are vulnerable to economic marginalization for two reasons: (1) lower levels of education relative to younger cohorts that benefitted from Mexico's educational expansion, and (2) discriminatory hiring practices and employer preferences, which favor young, physically fit, and more attractive workers. Unlike their younger peers who traveled abroad in search of new opportunities and experiences, older Mexicans with little schooling commonly joined Mexico's great migration in response to decades of low wages and blocked mobility in their origin communities. In the United States, these low-skilled migrants experience little occupational mobility, with most remaining in low-skilled gateway jobs such as farmworkers or low-wage service workers, where they encountered few opportunities to learn new skills. When these migrants return to Mexico late in life, with little education and few marketable skills, they commonly resort to what we have termed "survivalist self-employment," subsistence enterprises (e.g., ambulatory food vending) that exist on the fringes of the informal economy and function as an alternative to joblessness. Workers who are unable to match U.S. occupations with Mexican ones are also at a disadvantage upon return as the case of Victor shows. Unable to transfer construction skills to his small rural hamlet, Victor was forced into low-wage work in an automotive factory an hour away from his hometown.

The United States has a long history of mass deportations, and most of these operations of state exclusion have targeted poor working-class Latino migrants, especially Mexicans. In 2016, for example, Mexicans constituted almost three-fourths of the 340,000 persons removed from the United States. For this group of predominantly male migrants, returning home can involve numerous psychological, economic, and social hardships. Deportation can also disrupt labor market integration, especially if these return migrants have not reached their target earning abroad and thus are unprepared for returning home. The labor market reintegration experience for this group of returnees can also be hampered if they are unfavorably received by their host governments, employers, and educational institutions as is the case in El Salvador, the

Dominican Republic, and Jamaica, where they are often criminalized and stigmatized. In Mexico, the government has taken a more welcoming stance towards its returnees regardless of whether or not they were deported. With a favorable government reception, our longitudinal research shows that over time deportees adapt to economic conditions and some, especially younger return migrants, even experience modest to substantial labor market mobility. Although deportation disrupts financial accumulation abroad, involuntary returnees can still mobilize new skills in new businesses upon return. Thus, we highlight the need for ongoing research on the post-deportation labor market experience, which we view as a dynamic social process in which human agency and skill mobilization play a major part.

## **Conclusion**

Today's return migrants are coming home to an evolving economic and political landscape. The Mexican economy has experienced modest but sustained growth since 2010, and by all estimates the economy was projected to continue to grow at an average yearly pace of 3 percent through 2020. However, the economic recovery slowed in 2017 and optimism regarding the Mexican economy has given way to uncertainty following the U.S. election of Trump in 2016, the expected ratification of the United States Mexico and Canada Trade Agreement (USMCA), and the 2018 Mexican election of Andrés Manuel López Obrador.

Much of Mexico's economic gains since 2010 resulted from its neo-liberal model of economic development that is export-oriented and based on cheap-labor assembly operations run by U.S.-owned transnational manufacturing corporations. Under NAFTA, free trade in the region increased. In 2017 alone, the United States received 81 percent of Mexico's exports, including vehicles and auto parts, electrical machinery, plastics, and furniture among other items. While U.S. demand for exports propped up the Mexican economy it has not translated into higher wages or improved working conditions for Mexican workers because NAFTA's labor laws and protections were not enforced but left to the discretion of each country. The future for many of Mexico's low-wage workers, especially those laboring in the country's most dynamic and profitable sector—manufacturing—will depend on the impact of the USMCA and the actions of Obrador.

The new trade agreement includes enforceable reforms for workers in all three countries. Mexico has agreed to enact laws that give workers the right to form unions and to extend protections for women who experience discrimination. Wage increases could also be expected in some export manufacturing sectors of the economy. For example, while American auto assembly operations in Mexico will have to rely on more U.S. car parts to escape tariffs, about 40 percent of those cars would have to be made by workers earning no less than \$16 an hour—almost four times Mexico’s minimum wage for a full day’s work. While this high wage content provision of USMCA could increase wages for Mexicans working in the export manufacturing sector, it could also reduce employment in manufacturing if multinational manufacturers decide to relocate some of their production centers from Mexico to the United States and Canada.

Mexico’s largest social class—those living and working in poverty—are also hopeful that their new president can transform Mexican society. A longtime fixture of the political left and former mayor of Mexico City, Obrador has pledged to end corruption, drug violence, and increase spending on social programs for the poor. Thus far, however, he appears to be taking a more centrist approach, assuring a strong private sector and a well-regulated free trade with Canada and the United States. Thus far, there is little evidence that Obrador will significantly alter Mexico’s neo-liberal model.

It is also unlikely that Obrador will develop specific policies to assist Mexico’s return migrant population. Historically, Mexican governmental institutions have played a negligible role in the labor market reintegration of returning migrants, instead developing and implementing policies oriented toward emigrants to encourage remittances. Despite a few symbolic efforts to reintegrate today’s returnees, the Mexican government has continued to leave the work of reintegration in the hands of returnees, families, communities and market forces. Without the assistance and support of the Mexican government and employers, it is likely that for most return migrants, social mobility in Mexico will depend on their ability to successfully invest the human and financial capital that they accumulate in the United States into labor market strategies such as business formation in their local communities.