**Unit Three**

**Urbanization and Rural-Urban Migration: Theory and Policy**

**Pretest**

Dear distance learners, could you briefly outline the rationale behind high rural – urban migration in the contemporary developing countries? Could you explain the possible consequences of this? From your general knowledge and intuitive understanding, what are the possible solutions you would like to forward to mitigate such problems? Briefly outline.

*Pre Test*

**3.1. The Role of Cities**

What explains the strong association between urbanization and development?

When transportation costs are significant, users of the outputs of an industry may benefit from a nearby location to save on these costs.. In addition, firms of the same or related industries may benefit from being located in the same city, so they can all draw on a large pool of workers with the specific skills used in that sector or from specialized infrastructure. Workers with specialized skills appropriate to the industry prefer to be located there as well so that they can easily find a new job or be in a position to take advantage of better opportunities.

**3.1.1 Industrial Districts**

Firms located in industrial districts also benefit from the opportunity to contract out work easily when an unusually large order materializes. Thus, a firm of modest size does not have to turn down a big job due to lack of capacity, an arrangement that provides "flexible specialization." Further, firms may wish to operate in well-known districts for the marketing advantages of locating where consumers of their goods know to shop to get the best selection.

A growing body of evidence shows that industrial clusters are now common in developing countries, at stages of industrial development ranging from cottage industry to advanced manufacturing techniques and appear to be significant factors in emerging industrial competitiveness. Nevertheless, the dynamism of these clusters has varied widely. Some of the identified districts are traditional clusters of artisans that have shown little ability to innovate, export, or expand.

**3.1.2 Efficient Urban Scale**

In large urban areas, workers may find themselves with longer and longer commutes and greater transportation costs and may demand higher wages to cover these costs. In addition, the costs of infrastructure such as water and sewer systems are higher in concentrated urban areas. In theory, if costs of transportation of finished goods are high and consumers wish to be located in the largest city to avoid paying those transportation costs as much as possible, economic activity could become indefinitely concentrated within a city (called the "black hole" effect), but it is generally much less costly to improve the transportation system of a country than to pay the costs of maintaining a gargantuan urban complex. Under competitive forces and other things being equal, if workers are mobile, a worker in a large city with higher wages but higher costs of living (such as higher housing prices) is no better off in real material terms than a worker with comparable education, experience, ability, and health in a small city who has lower wages and lower costs of living.

Thus, the concentrating, or "centripetal," forces of urban agglomeration economies are opposed by the dispersing, or "centrifugal," forces of diseconomies featuring increasing costs with greater concentration, because some of the factors of production, most obviously land, are not mobile. Thus, it is normal for an economy to have a range of cities, with sizes dependent on the scale of the industries it sponsors, and the extent of agglomeration economies found for that industry or cluster of industries.

Two well-known theories of city size are the urban hierarchy model (central place theory) and the differentiated plane model. In the urban hierarchy model, plants in various industries have a characteristic market radius that results from the interplay of three factors: economies of scale in production, transportation costs, and the way the demand for land is spread over space. The larger the economies of scale in production and the lower the transportation costs, the larger the radius of territory that will be served by that industry to minimize costs. In contrast, if the price of real estate is bid up to high levels in the resulting cities; this will tend to create smaller radii.

As a result, small cities contain activities with short market radii, while large cities emerge to contain activities of both small and large radii. Generally speaking, activities of a national scope, such as government and finance, will be located in a single city (though not necessarily the same large city because of the effect of congestion costs). Clearly, the urban hierarchy approach applies better to non-export industries than to export industries. When countries have different specializations in the international market or are at different stages of economic development, the size distribution of cities may potentially differ. For example, a developing country that still overwhelmingly specializes in agriculture might reasonably have one or two large cities serving national industries such as finance and government and many smaller towns serving local agricultural areas. A country with a highly differentiated manufacturing and service base might have a large number of medium-size cities.

In the differentiated plane model, the limited number of transportation routes linking the industries within an economy plays a key role. The model predicts urban concentrations where the scarce transportation routes cross, called "internal nodes." The hierarchy of urban sizes depends on the pattern of nodes and the industrial mix. Primary processing industries have few inputs and are usually located near the source of the primary resource. However, there will also be incentives for industries with strong backward or forward linkages to locate in the same city.

**3.1.3 The Urban Giantism Problem**

In the case of developing countries, the main transportation routes are often a legacy of colonialism. Theorists of the dependency school have compared colonial transportation networks to drainage systems, emphasizing ease of extraction of the country's natural resources. In many cases, the capital city will be located near the outlet of this system on the sea cost. This type of transportation system is also called a "hub-and-spoke system," which is especially visible when the capital city is located in the interior of the country.

Sometimes one urban core grows to become too large to keep the costs of the industries located there to a minimum. In developed countries, other cores are often developed within the broad metropolitan region, enabling the region as a whole to continue to receive benefits of agglomeration while lowering some of the costs; or new cities may develop in entirely different parts of the country. But this creation of new urban cores does not happen automatically if there are advantages to locating where other firms and residents are already located today. Who will be the pioneer if it is less costly to stay where you are and wait for other pioneers to settle in the new city first? In economic terms, the agglomeration economies of cities are externalities, which must somehow be internalized or the market will fail.

**First-City Bias:** A form of urban bias that has often caused considerable harm might be termed first-city bias. This means that the country's largest or "first" city receives a disproportionately large share of public investment and incentives for private investment, in relation to the country's second city and other smaller cities. As a result, the first city receives a disproportionately, and inefficiently, large share of population and economic activity.

**3.1.3.1 Causes of Urban Giantism**

Why have first cities often swelled to such a large multiple of second cities in developing countries? Overall, urban giantism probably results from a combination of a hub-and- spoke transportation system and the location of the political capital in the largest city, thus combining the effects of the urban hierarchy model with the differentiated plane model.

Thus, firms wish to set up operations in the city where the most consumers already live, which attracts more people to the region in search of jobs and perhaps lower prices; this concentration in turn attracts still more firms and consumers in a circle of causation. However, when trade barriers are reduced, the incentive to focus production on the home market is also reduced, and exporters and their suppliers have much less incentive to be located in the country's biggest population center. This moves production toward ports and borders, or elsewhere in the country, to escape the overly large congestion costs of the largest city.

In the developing world, until recently relatively few countries were effective democracies. In the 1970s, almost all developing countries had authoritarian governments of one form or another. To remain in power and prevent popular uprisings and coups, which were generally thought to be most threatening when launched from the capital city, governments had an incentive to "buy off" the population of the largest city. This focus of national government spending on the capital city is the bread-and-circuses effect, recalling the phrasing of “rent-sharing” policies in ancient Rome in its period of expansion. The availability of better opportunities, whether the equivalent of the grain handouts in ancient Rome jobs, wages, infrastructure, and other government services concentrated in the capital city of many of today's developing countries, attracts an ever-growing migrant population, in turn leading to larger precautionary government spending as the fear of political instability grows.

A final political economy factor contributes to capital city giantism: It becomes advantageous for firms to be located where they have easy access to government officials, to curry political favor from a regime that can be induced to give companies special favors for a price or that simply demands bribes to function at all. The resulting first-city giantism may be viewed as a form of underdevelopment trap, which may be escaped fully only with a return to democratic rule together with a better balance of incentives to compete for exports as well as home consumption. Democracy does not eliminate political benefits of location in the national capital, but while lobbyists still congregate in the political capital, there may be less incentive for production to become over concentrated there.

**3.2 The Urban Informal Sector**

The existence of an unorganized, unregulated, and mostly legal but unregistered **informal sector**  was recognized in the 1970s, following observations in several developing countries that massive additions to the urban labor force failed to show up in formal modern-sector unemployment statistics. The bulk of new entrants to the urban labor force seemed to create their own employment or to work for small-scale family- owned enterprises. The self-employed were engaged in a remarkable array of activities, such as hawking, street vending, and other jobs. Others found jobs as mechanics, carpenters, small artisans, barbers, and personal servants. Still others were highly successful small-scale entrepreneurs with several employees (mostly relatives) and high incomes. Some could even eventually graduate to the formal sector, where they become legally registered, licensed, and subject to government labor regulations. With the unprecedented rate of growth of the urban population in developing countries expected to continue and with the increasing failure of the rural and urban formal sectors to absorb additions to the labor force, more attention is being devoted to the role of the informal sector in serving as a panacea for the growing unemployment problem.

The informal sector continues to play an important role in developing countries, despite decades of benign neglect at best and outright hostility at worst. In many developing countries, about half of the employed urban population works in the informal sector.

Moreover, workers in the informal sector do not enjoy the measure of protection afforded by the formal modern sector in terms of job security, decent working conditions, and old -age pensions. Many workers entering this sector are recent migrants from rural areas unable to find employment in the formal sector. Their motivation is often to obtain sufficient income for survival, relying on their own indigenous resources to create work. Since many members of the household as possible are involved in income-generating activities, including women and children, and they often work very long hours. A large fraction inhabits shacks that they themselves have built in slums and squatter settlements, which generally lack minimal public services such as electricity, water, drainage, transportation, and educational and health services. Others are even less fortunate. They find sporadic temporary employment in the informal sector as day laborers and hawkers, but their incomes are insufficient to provide even the most rudimentary shelter.

**3.2.1 Arguments in Favor of Urban Informal Sector**

First, scattered evidence indicates that the informal sector generates surpluses even under the currently hostile policy environment, which denies it access to the advantages offered to the formal sector, such as credit, foreign exchange, and tax concessions.

Second, as a result of its low capital intensity, only a fraction of the capital needed in the formal sector is required to employ a worker in the informal sector.

Third, by providing access to training and apprenticeships at substantially lower costs than that provided by formal institutions and the formal sector;

Fourth, the informal sector generates demand for semiskilled and unskilled labor whose supply is increasing in both relative and absolute terms,

Fifth, the informal sector is more likely to adopt appropriate technologies and make use of local resources.

Sixth, the informal sector plays an important role in recycling waste materials, engaging in the collection of goods ranging from scrap metals to cigarette butts,

Finally, promotion of the informal sector would ensure an increased distribution of the benefits of development to the poor.

One of the major disadvantages in promoting the informal sector lies in the strong relationship between rural-urban migration and labor absorption in the informal sector. Migrants from the rural sector have both a lower unemployment rate and a shorter waiting period before obtaining a job in the informal sector. Promoting income and employment opportunities in the informal sector could therefore aggravate the urban unemployment problem by attracting more labor than either the desirable parts of the informal or the formal sector could absorb.

Furthermore, there is concern over the environmental consequences of a highly concern- treated informal sector in the urban areas. Many informal-sector activities cause pollution and congestion or inconvenience to pedestrians. Moreover, increased densities in slums and low-income neighborhoods, coupled with poor urban services, could cause enormous problems for urban areas. Any policy measures designed to promote the informal sector must be able to cope with these various problems. Finally, it is an almost universal observation that when regular formal-sector employment becomes available, informal- sector micro entrepreneurs switch sectors to take these jobs clear evidence of "revealed preference."

Because access to skills plays an important role in determining the structure of the informal sector, governments should facilitate training in the areas that are most beneficial to the urban economy. In this way, the government can play a role in shaping the informal sector so that it contains production and service activities that provide the most value to society. Specifically, such measures might promote legal activities and discourage illegal ones by providing proper skills and other incentives.

The provision of credit would therefore permit these enterprises to expand, produce more profit, and hence generate more income and employment. Access to improved technology would have similar effects. Providing infrastructure and suitable locations for work could help alleviate some of the environmental consequences of an expanded informal sector. Most important, better living conditions must be provided, if not directly, then by promoting growth of the sector on the fringes of urban areas or in smaller towns where the population will settle close to its new area of work, away from the urban density.

Promotion of the informal sector outside the urban areas may also help redirect the flow of rural-urban migration, especially if carried out in conjunction with the policies discussed at the end of this unit.

**3.3 Urban Unemployment**

In many developing countries, the supply of workers far exceeds the demand, the result being extremely high rates of unemployment and underemployment in urban areas. Because a major contributing factor to both high rates of urban growth and high rates of unemployment and underemployment is rural-urban migration, it is essential to investigate this issue in some detail.

**3.4 Migration and Development**

Migration today, particularly to the largest LDC cities, must be seen as the major factor contributing to the ubiquitous phenomenon of urban surplus labor, a force that continues to exacerbate already serious urban unemployment problems.

Migration worsens rural-urban structural imbalances in two direct ways. First, on the supply side, internal migration disproportionately increases the growth rate of urban job seekers relative to urban population growth, which itself is at historically unprecedented levels, because of the high proportion of well-educated young people in the migrant system. Their presence tends to swell the urban labor supply while depleting the rural countryside of valuable human capital. Second, on the demand side, urban job creation is generally more difficult and costlier to accomplish than rural job creation because of the need for substantial complementary resource inputs for most jobs in the industrial sector. Moreover, the pressures of rising urban wages and compulsory employee fringe benefits in combination with the unavailability of appropriate, more labor-intensive production

technologies mean that a rising share of modern-sector output growth is accounted for by increases in labor productivity. Together this rapid supply increase and lagging demand growth tend to convert a short-run problem of resource imbalances into a long- run situation of chronic and rising urban surplus labor.

But the impact of migration on the development process is much more pervasive than its exacerbation of urban unemployment and underemployment. In fact, the significance of the migration phenomenon in most developing countries is not necessarily in the process itself or even in its impact on the sectoral allocation of human resources. Rather, its significance lies in its implications for economic growth in general and for the character of that growth, particularly its distributional manifestations.

We must therefore recognize that migration in excess of job opportunities is both a symptom of and a contributor to underdevelopment. Understanding the causes, determinants, and consequences of internal rural-urban labor migration is thus central to understanding the nature and character of the development process and to formulating policies to influence this process in socially desirable ways. A simple yet crucial step in underlining the centrality of the migration phenomenon is to recognize that any economic and social policy that affects rural and urban real incomes will directly or indirectly influence the migration process. This process will in turn itself tend to alter the pattern of sectoral and geographic economic activity, income distribution, and even population growth. Because all economic policies have direct and indirect effects on the level and growth of urban or rural incomes or both, they all will tend to influence the nature and magnitude of the migration stream.

Although some policies may have a more direct and immediate impact, there are many others that, though less obvious, may in the long run be no less important. Included among these policies are land tenure arrangements; commodity pricing; credit allocation; taxation; export promotion; import substitution; commercial and exchange-rate policies; the geographic distribution of social services; the nature of public investment programs; location of new industries and others. There is thus a clear need to recognize the central importance of internal and, for many countries, even international migration and to integrate the two-way relationship between migration and population distribution on the one hand and economic variables on the other into a more comprehensive framework designed to improve development policy formulation.

In addition, we need to understand better not only why people move and what factors are most important in their decision-making process but also what the consequences of migration are for rural and urban economic and social development. If all development policies affect migration and are affected by it, which ones are the most significant, and why? What are the policy options and trade-offs among different and sometimes? competing objectives)? Part of our task in the following sections will be to seek answers to these and other questions relating to migration, unemployment, and development.

Migration patterns are complex. The most important type of migration from the standpoint of long-run development is rural-urban migration, but a great deal of rural- rural, urban-urban, and even urban-rural migration also takes place. Rural-urban migration is most important because the population share of cities is growing, despite the fact that fertility is much lower in urban areas, and the difference is accounted for by rural-urban migration. It is also important because of the potential development benefits of economic activity of cities, due to agglomeration economies and other factors. However, urban-rural migration is important to understand because it usually occurs when hard times in cities coincide with increases in output prices from the country's cash crops; the recent experience of Ghana is a notable example. Thus, the overall picture is one of a remarkable continuous movement of many people within developing countries, especially over short distances. These movements contradict the popular image of stasis in traditional societies.

In addition to wage differentials, age, and education, migration is also explained partly by relocation upon remarrying; prior emigration of family members; distance and costs of relocation, occurrence of famine, disease, violence, and other disasters; and relative standing in the origin community, with those lower on the social order more likely to migrate. Migration can also be a form of portfolio diversification of families who seek to settle some members in areas where they may not be affected by economic shocks in the same way as if they had stayed at home.

**3.4.1. Toward an Economic Theory of Rural-Urban Migration**

The economic development of Western Europe and the United States was closely associated with the movement of labor from rural to urban areas. For the most part, overall economic development in these countries was characterized by the gradual reallocation of labor out of agriculture and into industry through rural-urban migration..

But the overwhelming evidence of the past several decades, when developing nations witnessed a massive migration of their rural populations into urban areas despite rising levels of urban unemployment and underemployment, lessens the validity of the Lewis two-sector model of development. An explanation of the phenomenon, as well as policies

to address the resulting problems must be sought elsewhere.

**3.4.2 Description of the Todaro Model**

The fundamental premise is that migrants consider the various labor market opportunities available to them in the rural and urban sectors and choose the one that maximizes their expected gains from migration. In essence, the theory assumes that members of the labor force, both actual and potential, compare their expected incomes for a given time horizon in the urban sector with prevailing average rural incomes and migrate if the former exceeds the latter.

Consider the following illustration. Suppose that the average unskilled or semiskilled rural worker has a choice between being a farm laborer (or working his own land) for an annual average real income of, say, 50 Birr or migrating to a city, where a worker with his skill or educational background can obtain wage employment yielding an annual real income of 100 Birr. The more commonly used economic models of migration, which place exclusive emphasis on the income differential factor as the determinant of the decision to migrate, would indicate a clear choice in this situation. The worker should seek the higher-paying urban job. It is important to recognize, however, that these migration models were developed largely in the context of advanced industrial economies and hence implicitly assume the existence of full or near-full employment. In a full-employment environment, the decision to migrate can be based solely on the desire to secure the highest-paid job wherever it becomes available. Simple economic theory would then indicate that such migration should lead to a reduction in wage differentials through the interaction of the forces of supply and demand, in areas of both emigration and immigration. Unfortunately, such an analysis is not realistic in the context of the institutional and economic framework of most developing nations.

First, developing countries are overwhelmed by a chronic unemployment problem that a typical migrant cannot expect to secure a high-paying urban job immediately. In fact, it is much more likely that on entering the urban labor market, many uneducated, unskilled migrants will either become totally unemployed or will seek casual and part-time employment as vendors, hawkers, repairmen, or any other job at relatively competitive price and wage. In the case of migrants with considerable human capital in the form of a secondary or university certificate, opportunities are much better, and many will find formal-sector jobs relatively quickly. But they constitute only a small proportion of the total migration stream.

Consequently, in deciding to migrate, the individual must balance the probabilities and risks of being unemployed or underemployed for a considerable period of time against the positive urban-rural real income differential. The fact that a typical migrant who gains a modern-sector job can expect to earn twice the annual real income in an urban area than in a rural environment may be of little consequence if the actual probability of his securing the higher-paying job within, say, a one-year period is one chance in five. Thus the actual probability of his being successful in securing the higher-paying

urban job is 20%, and therefore his expected urban income for the one-year period is

in fact, 20 Birr (= 100 Birr \*0.2) and not the 100 Birr that an urban worker in a full employment environment would expect to receive. So, with a one-period time horizon and a probability of success of 20%, it would be irrational for this migrant to seek an urban job, even though the differential between urban and rural earnings capacity is 100%. However, if the probability of success were 60% and the expected urban income therefore 60 Birr, it would be entirely rational for our migrant with his one-period time horizon to try his luck in the urban area, even though urban unemployment may be extremely high.

If we now approach the situation by assuming a considerably longer time horizon-a more realistic assumption, especially in view of the fact that the vast majority of migrants are between the ages of 15 and 24-the decision to migrate should be represented on the basis of a longer-term, more permanent income calculation. If the migrant anticipates a relatively low probability of finding regular wage employment in the initial period but expects this probability to increase over time as he is able to broaden his urban contacts, it would still be rational for him to migrate, even though expected urban income during the initial period or periods might be lower than expected rural income. As long as the **present** value of the net stream of expected urban income over the migrant's planning horizon exceeds that of the expected rural income, the decision to migrate is justifiable.

Rather than equalizing urban and rural wage rates, as would be the case in a competitive model, we see that rural-urban migration in our model acts as an equilibrating force that equates rural and urban expected incomes. For example, if average rural income is 60 and urban income is 120, a 50% urban unemployment rate would be necessary before further migration would no longer be profitable. Because expected incomes are defined in terms of both wages and employment probabilities, it is possible to have continued migration despite the existence of sizable rates of urban unemployment. In our example, migration would continue even if the urban unemployment rate were 30% to 40%.

**3.4.3 Five Policy Implications of the Model**

First, imbalances in urban-rural employment opportunities caused by the urban bias, particularly first-city bias, of development strategies must be reduced. Permitting urban wage rates to rise at a greater pace than average rural incomes will stimulate further rural-urban migration in spite of rising levels of urban unemployment. This heavy influx of people into urban areas not only gives rise to socioeconomic problems in the cities but may also eventually create problems of labor shortages in rural areas, especially during the busy seasons.

Second, urban job creation is an insufficient solution for the urban unemployment problem. The traditional economic solution to urban unemployment can result in the paradoxical situation where more urban employment leads to higher levels of urban unemployment! For every new job created, two or three migrants who were productively occupied in rural areas may come to the city.

Third, indiscriminate educational expansion will lead to further migration and unemployment. The heavy arrival of rural migrants into urban areas at rates much in excess of new employment opportunities has necessitated a rationing device in the selection of new employees. Although within each educational group such selection may be largely random, many observers have noted that employers tend to use educational attainment typical rationing device. For the same wage, they will hire people with more education in preference to those with less, even though extra education may not contribute to better job performance. It follows that for any given urban wage, if the probability of success in securing a modern-sector job is higher for people with more education, their expected income differential will also be higher, and they will be more likely to migrate to the cities. The basic Todaro model therefore provides an economic rationale for the observed fact in most Developing countries that rural inhabitants with more education are more likely to migrate than those with less. Form the viewpoint of educational policy; it is safe to predict that as job opportunities become scarce in relation to the number of applicants, students will experience increasing pressure to proceed further up the educational ladder. The private demand for education, which in many ways is a derived demand for urban jobs, will continue to exert tremendous pressure on governments to invest in post primary school facilities. But for many of these students, the specter of joining the ranks of the “educated unemployed” becomes more of a reality with each passing year.

Fourth, wage subsidies and traditional scarcity factor pricing can be counterproductive. Because actual urban wages generally exceed the market or “correct” wage as a result of a variety of institutional factors, it is often argued that the elimination of wage distortions through price adjustments or a subsidy system will encourage more labor- intensive modes of production, they can also lead to higher levels of unemployment in accordance with our argument about induced migration.

Finally, programs of integrated rural development should be encouraged. Policies that operate only on the demand side of the urban employment picture, such as wage subsidies, direct government hiring, elimination of factor price distortions, and employer tax incentives, are probably far less effective in the long run in alleviating the unemployment problem than policies designed directly to regulate the supply of labor to urban areas. Clearly, however, some combination of both kinds of policies is most desirable.

Policies of rural development are crucial to this aim. Many informed observers agree on the central importance of rural and agricultural development if the urban unemployment problem is to be solved. Most proposals call for the restoration of a proper balance between rural and urban incomes and for changes in government policies that currently give development programs a strong bias toward the urban industrial sector (e.g., policies in the provision of health, education, and social services). Conceptually, it may be useful to think of cities and their surrounding rural areas as integrated systems. There are significant complementarities between town and country. Agricultural and raw materials grown and extracted in rural areas are inputs for urban industry.

Although there is some urban agriculture, most food consumed in urban areas is grown in agricultural regions. Towns are needed to allow sufficient agglomeration economies, as well as economies of scale, to produce and exchange many goods and services that are needed in rural areas. In turn, when rural incomes grow, markets for urban manufactures expand. People come from their rural residences to work in the city by the day or the week. City residents temporarily migrate to nearby agricultural regions during peak planting and harvesting seasons. Thus rural-urban linkages are extensive. And while investment in urban areas can accelerate migration to cities, investment in agriculture can raise productivity and incomes, making labor redundant, and also accelerate migration. As a result, for policy purposes, it may make a great deal of sense to take account of rural impacts when devising urban policies and vice versa.

At the same time, as globalization proceeds, cities tend to trade more with other cities, often in distant parts of the world, and less with nearby rural areas. Moreover, cities generally get the upper hand when urban and rural areas are treated as a bloc, reinforcing urban bias. And rural hinterlands, far from significant cities and from the attention of distant governments, whether national or regional, often suffer from benign neglect at best and systematic exploitation at worst, such as forced sale of food at low prices. Thus, rural areas need to retain their own autonomy, and poverty programs need to be tailored to the needs of rural citizens.

Every effort must be made to broaden the economic base of the rural economy. The present unnecessary economic incentives for rural-urban migration must be minimized through creative and well-designed programs of integrated rural development. These should focus on farm and non-farm income generation, employment growth, health-care delivery, educational improvement, infrastructure development and so on. Successful rural development programs adapted to the socioeconomic and environmental needs of particular countries and regions seem to offer the only viable long-run solution to the problem of excessive rural-urban migration.

All in all, the Todaro migration model has four basic characteristics:

* Migration is stimulated primarily by rational economic considerations of relative benefits and costs.
* The decision to migrate depends on expected rather than actual urban-rural real-wage differentials where the expected differential is determined by the interaction of two variables.
* The probability of obtaining an urban job is directly related to the urban employment rate .

Migration rates in excess of urban job opportunity growth rates are not only possible but also rational and even likely in the face of wide urban-rural expected income differentials.

**Post Test**

1. Briefly discuss the causes and consequencesofhigh rural- urban migration in the context of the contemporary developing countries.
2. In brief discuss the Todaro Model of Rural – Urban Migration and the policy recommendations of the model. Take Ethiopia as an example in your elaboration
3. Discuss the advantages and disadvantages of the informal sector in cities and towns of the contemporary developing countries. Include your opinion.
4. Outline and discuss the linkage between migration and development
5. Discuss arguments against and in favor of the informal sectors in the contemporary urban sectors of developing countries. Discuss the controversies and general consensuses surrounding high population growth vis-à-vis economic development.