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# A Systematic Literature Review on Labor Migration and its Effects on Developing Countries' Rural Economies

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## Abstract

This study reviews 63 scholarly works to explore how labour migration influences the rural economies of developing nations. It investigates multiple dimensions, including income, employment, health, education, infrastructure, agriculture, and the environment. The findings suggest that remittances enhance rural livelihoods but often yield mixed effects on production, inequality, and sustainability. Contextual factors like governance quality, financial systems, and local institutions significantly moderate these outcomes. The study proposes policy directions to optimize remittance usage and reduce migration-related disparities.

**Keywords:** labour migration, rural economy, remittances, rural development, inequality, education

## 1. Introduction

Labor migration plays a significant role in shaping the socioeconomic landscape of developing nations, particularly within rural communities. In the Indian context, data from the Periodic Labour Force Survey (PLFS) for 2020–21 indicates that approximately 26.5% of the rural population engages in migration. Among male migrants, nearly 38.9% identify employment opportunities as their chief motivation for relocating (MoSPI, 2021). The phenomenon of migration has been widely examined through various theoretical lenses. Neo-classical economic theories, as discussed by Mosse et al. (2002), highlight individual decision-making based on income differentials and labour demand across regions. In contrast, Marxist interpretations, such as those by Deshingkar and Start (2003), emphasize the structural inequalities and exploitative conditions that compel individuals to migrate. Additionally, environmental stress models, like the one outlined by Deshingkar (2008), underscore the impact of ecological degradation and climate variability in pushing people out of rural areas.

The dynamics of rural out-migration are influenced by a combination of economic and non-economic factors. While financial motives such as better wages and job availability are strong pull factors, social

determinants also play a pivotal role. Issues like insecure land ownership (Liu, 2022), limited access to quality education (Liao & Yip, 2018), and increasing environmental challenges including erratic weather patterns and declining agricultural productivity (FAO, 2016), contribute to the decision to migrate. For many households, migration leads to improved livelihoods through remittances, which can enhance spending on health, education, and housing. However, the outcomes are not universally positive. In some cases, families suffer from weakened community cohesion, emotional stress due to family separation, and a shortage of labor for farming activities in the home region (Agadjanian & Sevoyan, 2014). Thus, rural migration is a complex and multifaceted process that both reflects and reshapes the broader social and economic fabric of developing societies.

## **2. Methodology**

The study adopted PRISMA (Moher et al., 2009) guidelines to review literature between 2009 and March 2024. Out of 580 screened articles from databases such as Scopus, Web of Science, and Sage, 63 met the inclusion criteria. Articles were evaluated using the HTA Initiative's (2004) five-point quality framework. Qualitative comparative assessment and bibliometric tools were applied to classify thematic outcomes and regional focus.

## **3. Thematic Findings**

### **3.1 Economic Output, Savings, and Investment**

Remittances boost output and savings (Dutta & Saikia, 2024; Javed et al., 2017). However, their productive investment potential varies. In Bangladesh, remittances increased land prices and consumption but had limited impact on agriculture (Hossain et al., 2017). Governance plays a critical role—strong institutions yield better remittance outcomes (Habib, 2024), while weak financial systems crowd out domestic savings (Hossain, 2014).

### **3.2 Employment and Wages**

Migration improves labor earnings and reduces underemployment. Collective migration strategies further enhance wage outcomes (Meng et al., 2023). Rural migrants in Pakistan witnessed income growth between 22% and 25% (Mukhtar et al., 2018), despite informal work constraints.

### **3.3 Poverty and Inequality**

Studies across 90+ countries confirm that remittances reduce poverty and income inequality (Azizi, 2021; Zong et al., 2023). However, their effectiveness depends on financial development and baseline inequality (Mallela et al., 2023). In Tanzania, remittances had long-term poverty-alleviation effects (Musakwa & Odhiambo, 2022).

### **4. Human Capital: Health and Education**

Remittances improve education by reducing drop-outs and increasing enrolment (Shafique, 2022; Al-Islam et al., 2022). However, impacts vary: in Nepal, there was little change in child education (Karki, 2016). Health outcomes improved, especially among the elderly and spouses of migrants (Yang & Fahad, 2022; Cao et al., 2019), although migration also induced emotional stress (Sznajder et al., 2021).

### **5. Agriculture and Rural Production**

Migration reduces labor availability, prompting mechanization (Piras et al., 2018), but not necessarily improving productivity. In India and China, remittance-led migration resulted in lower agricultural efficiency and environmental stress (Ren et al., 2023; Kumar, 2022). Some regions like Indonesia adopted technology to counteract labor loss (Zikraddin, 2019).

### **6. Environmental Effects**

Studies confirm both positive and negative ecological consequences of migration. In low-income nations, remittances reduce ecological footprints through green investment (Mazhar et al., 2022). The Environmental Kuznets Curve hypothesis is

partially supported, indicating environment-friendly outcomes at higher income deciles (Elbatany et al., 2021).

### 7. Infrastructure and Digital Access

Remittances enhance infrastructure indirectly, particularly when paired with digital governance tools (Alhassan, 2023). They also reduce urban slum density (Yoo & Woo, 2023). However, urban-rural capital shifts can crowd out rural development (Manic, 2017), unless balanced with government infrastructure investment (Nguyen, 2016).

### 8. Conclusion and Policy Recommendations

This review highlights that labour migration, when backed by effective governance and financial systems, contributes positively to rural development. However, outcomes differ across sectors and geographies. Remittances enhance consumption, reduce poverty, and support human capital, but their role in agriculture and productivity remains weak.

#### Policy implications include

- ◆ Strengthening rural infrastructure (roads, schools, banking)
- ◆ Enhancing digital financial services for better remittance use
- ◆ Channeling funds into productive investments, especially agriculture
- ◆ Designing gender- and caste-sensitive support programs
- ◆ Promoting circular migration and rural entrepreneurship
- ◆ Labour migration remains both a challenge and opportunity. If managed strategically, it can catalyze inclusive rural transformation.

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