

# Harris - Todaro Model



*Theory of Migration, Part A*

# Background of the Theory

- ❖ In 1960's Rural to Urban Migration inspired by high level of Unemployment
- ❖ General equilibrium model of Migration, Lewis Model has failed to explain this

# Background of the Theory

- ❖ In 1970 John R. Harris and Michael P. Todaro published their famous paper on rural- to-urban migration; “Unemployment and Development: A Two-Sector Analysis”
- ❖ Harris-Todaro model try to answer the question “*Why Rural-Urban Migration Still Taking Place Despite High Unemployment In Urban Areas?*”

# Introduction

- ❖ Two Sector Model of Rural- Urban Migration
- ❖ This model is a pioneering study in the field encompassing rural-urban migration

# Introduction

## ❖ Assumptions:

1. Migration is primarily an economic phenomenon
2. Wage gap between the two sectors of the economy

# The Theory

- ❖ Migration proceeds in response to urban-rural differences in expected earnings rather than actual earnings
- ❖ The urban employment rate acting as an equilibrating force on such migration

# The Theory

- ❖ The rural-urban two-sector model centrally holds the following features:
  - Real wages (adjusted for cost-of-living differences) were higher in urban formal sector jobs than in rural traditional sector jobs
  - To be hired for a formal sector job, it was necessary to be physically present in the urban areas where the formal sector jobs were located

# The Theory

- Consequently, from the first two features, more workers searched for formal sector jobs than were actually hired
- Employers hired some of the searchers but not all of them

# The Theory

- ❖ To maintain equality between the expected wage associated with searching for an urban job and the expected wage associated with taking up a lower-paying rural job, the equilibrium arising in such a setting would be characterised by urban unemployment

# The Theory

- ❖ Any temporary difference in the expected wages between one sector and another would be eroded as workers migrate from the low expected wage labour market to the high expected wage one

To be Continued...

Thank You