

Connor Sheehan, University of Texas at Austin

Fernando Riosmena, University of Colorado at Boulder

Migration consequences have become important to the Mexican economy; for example, the flow of remittances alone adds an estimated 26 billion dollars annually to the economy. Further, the informal economic sector has become increasingly important, as just under half of Mexicans work there. Despite the importance of migration and the informal economy, little is known about their relationship. This research addresses that gap by examining the relationship between international migration and the formation of formal versus informal businesses in Mexico. We examine the influence of community social and economic factors and regional differences through multi-level survival analysis. The results indicate that international migration significantly facilitated the proliferation of the informal economy in Mexico over the past two decades. Household and community level migratory experience and community informal economy strength were important for informal business formation, while previous household capital attainment and socio-economic status were important for formal business formation.