Migration and Consumption

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Abstract: A scarce literature deals with the consumption implications of cultural assimilation and integration, ethnic clustering and diasporas, the marginal propensity to consume, home production and allocation of time, ethnic consumption, migration, and trade, as well as native consumption responses. Consumption patterns reflect how migrants integrate into their new environment while preserving their cultural origins. The identity formation may also affect economic and societal relations between the involved countries.

Keywords: ethnic identity, ethnic imports, ethnic niches, ethnic clusters, diaspora, ethnic goods, cultural assimilation, ethnosizer, consumption propensity, home production, allocation of time.

JEL-codes: E21, J15, Z10
This chapter focuses on international migration and consumption, that is, how individuals who leave their country temporarily or permanently to seek work or education, or to reunite with their family, modify or strengthen their consumption patterns, and finally also affect the consumption structure in the host country. Migrant consumption depends on a number of socio-cultural factors, such as family and cultural traditions, the role of religion, a possible experience of naturalization, and economic factors, such as working conditions and income. Considering ethnicity in the context is crucial: while migration is the mere act of moving, ethnicity is the set of values, traditions, and cultures with which the individual was raised. It affiliates with the place where the individual originates. Ethnicity is based on sharing geographically and historically defined values of a group or country of origin. Differently, ethnic identity is an individual attribute, it may change over time and is shaped by experiences during life. Ethnic identity is unique for each individual: immigrants from the same place, with the same cultural heritage, develop completely different identities. The focus of ethnicity is the group, while ethnic identity involves the individual.

In face of scarce literature, we deal with the consumption implications of cultural assimilation and integration, ethnic clustering and diasporas, the marginal propensity to consume, home production and allocation of time, ethnic consumption, migration, and trade, as well as native consumption responses and challenges and future research directions. Our review has a focus on migrants in the sense of foreign-born, but we also use studies covering individuals with migration backgrounds and different ethnicities as well as internal migrants.

**Cultural assimilation and integration**

International migrating is a drastic life-changer, often associated with a re-shaping of the individual identity. The resulting ethnic identity could impact different aspects of immigrants’ lives, becoming a central part of the self-definition of the individual's personality. From a general point of view, the main approach in literature starts from two opposing perspectives on the formation of ethnic identities: the assimilation theories (Gordon, 1964; Akerlof, 1997; Patacchini and Zenou, 2012) and the multiculturalism and conflict theories (Tajfel and Turner, 1982). The existence of opposite mechanisms in the formation of ethnic identities also calls into question the concepts of cultural
complementarity and cultural substitutability in the socialization process (Bisin and Verdier, 2000).

To measure the degree of ethnic identity, Constant and Zimmermann (2008) and Constant et al. (2009) have developed the concept of an “ethnosizer”, where an overall index of ethnic identity is calculated on the basis of a set of indicators including food consumption. Indicators help to classify the degree of “assimilation” to the host country, the persistence with the culture of the country of origin (“separation”), confusion or “marginalization”, if diverse habits were developed, and “integration”, if both home and host country traditions are relevant. Taken consumption separately, individuals could be followed in panel data to reveal the process of adaption in this indicator.

**Ethnic clustering and diasporas**

Following the review of Constant and Zimmermann (2016), we consider **diaspora** as “a well-defined group of migrants and their offspring with a joined cultural identity and ongoing identification (active or dormant) with the country or culture of origin as they envision it” (p. 1110). The diaspora influences the main economic and social dynamics in the home and host country, in various ways, acting as a bridge in the economic and cultural relations between the two countries, and also affecting the consumption structures in both countries.

In line with most academic research, the intensity of the ethnic formal and informal relationships that immigrants in the diaspora maintain with their country of origin represent a strategic cultural baggage, able to reduce information costs for domestic firms (Giovannetti and Lanati, 2017). Through the presence of in-depth knowledge about the acquisition of information on distribution networks, how to find the right component in the country of origin, as well as relevant strategic information on how to adapt a product to a specific context, the diaspora could boost the supply of ethnic goods. Furthermore, the relevance and the size of the diaspora in the host country have the potential to increase the domestic demand for ethnic goods, through cultural diffusion and branding of ethnic consumption.

Conceptually related are **ethnic enclaves** or **ethnic clusters**. When arrived in the host country, immigrants often tend to cluster culturally and geographically distinct from the rest of the country. The presence of a strongly rooted ethnic network in the destination country, the existence of a so-called "enclave economy" and the role of established and successful ethnic peers, are elements that make the ethnic enclave a safe harbor,
especially for newly arrived immigrants. Ethnic enclaves have the potential to boost the
domestic demand for ethnic goods: the more important the ethnic community in the
country of destination, the more the related ethnic culture will be widespread and
accepted by the natives, stimulating the consumption of specific ethnic goods (doner
kebab business, i.e.). Moreover, the size of the ethnic enclaves acts as a demand driver
for ethnic goods, increasing the import of these products. Finally, the political and social
role of the members of ethnic enclaves in the destination countries can contribute to the
large-scale dissemination and branding of some aspects of ethnic cultures, such as sushi
restaurants or Italian movies in their original language).

**Marginal propensity to consume**

A substantial literature emphasizes heterogeneity in the response of consumption to
income changes (Fisher et al., 2020; Jappelli and Pistaferri, 2020), whereas the focus has
been on heterogeneity in income and wealth as the main drivers of the heterogeneous
marginal propensity to consume (MPC) across households. The role of preference and
other personal traits is usually accounted for as unobserved heterogeneity and treated
using longitudinal data to remove possible biases. A notable exception is Gelman (2021),
who shows how the MPC varies considerably with personal traits, and not only by
temporary income shocks combined with precautionary savings or borrowing
constraints. This literature typically fails to capture the specific role of cultural or ethnic
characteristics that are individual-specific.

Migrants are different from natives: they tend to consume less and save more
conditional on income (Dustmann et al., 2017), but their savings and remittance behavior
strongly depends on income, as Merkle and Zimmermann (1992) have shown for
Germany. However, temporary movers save and remit more than permanent migrants
(Galor and Stark, 1990; Merkle and Zimmermann, 1992). Irregular migrants may have
higher income risk, and consequently, the amount of precautionary savings they
accumulate is higher. Migrants face lower wages and a higher probability of unexpected
job loss. Furthermore, birthplace matters for immigrants’ remittance behavior.

Despite the relevance of this topic, starting from the pioneering work of Carroll
et al. (1994), only a few recent studies analyzed the consumption behavior of different
socio-demographic groups (Dustmann et al., 2017; Gelman, 2021; Piracha and Zhu,
Dustmann et al. (2017), exploiting a unique survey of both legal and illegal migrants in Italy, investigate the effect of status on their consumption behavior. In particular, the authors find wide differences in consumption patterns between the groups: illegal and legal immigrants tend to strongly modify their consumption, adapting them to different exposures to income risk, conditional on background characteristics, underlining the predominant role played by precautionary savings for consumption. Along this line, Piracha and Zhu (2012), using a difference-in-differences approach, analyze immigrants’ saving behavior as a result of a change in the citizenship requirements in Germany. The authors show that easing citizenship acquisition leads to a considerable reduction in immigrant savings and (as a form of additional saving) remittances.

From a more general perspective, Canbary and Grant (2019) investigate the MPC for different socioeconomic households in the UK. Based on a pseudo-panel of the socioeconomic conditions of household heads, the authors show that households with lower socio-economic status have higher MPC, which gradually rises when moving from lower to upper levels. Given the presence of differences in access to the credit market across different socioeconomic groups, households excluded from the credit market are less able to smooth consumption in the presence of income shocks.

Leisure, home production and time allocation

There is ethnic diversity in time use based on different cultural preferences, gender structures within the family, as well as different concepts of leisure. Moreover, following the mainstream literature on non-market time use and household production (Becker, 1965; Ribar, 2013), a driving factor in the allocation of time is the wage. As it is well documented, immigrants tend to have worse job positions, with bad work conditions and lower wages; moreover, ethnic minorities also experience lower labor market performance compared to white immigrants (Zaiceva and Zimmermann, 2014). Time use is therefore also a question of different opportunity costs (Becker, 1965).

Zaiceva and Zimmermann (2011) find an ethnicity gap between non-white ethnic minorities and natives in activities such as childcare and food management, with relevant differences between ethnic minorities male and female. In particular, females from ethnic groups tend to spend more time than white females. Subsequently, Zaiceva and
Zimmermann (2014), focusing on the effect of ethnicity on time spent on secondary home production, home, and leisure in the UK, find that non-white ethnic minorities tend to spend less time than natives in simultaneous activities, also point out the existence of a gender gap between male and female belonging to ethnic groups: females engage more in multitasking activities.

Cultural goods convey symbols and values that are interpreted differently by individuals belonging to different cultures. As a consequence, the use of cinemas, theaters, sports events, music, museums, and monuments has the power to transmit unique cultural models, peculiar to the cultural message that they aim to pass on, thus becoming a vehicle for acculturation and integration of cultures. Said differently, people tend to buy products (cultural in this sense) that take on meaning by what they symbolize, preferring to consume goods that are close to their cultural values set (Maystre et al., 2014) or that reflect their identity (Sirgy, 1982).

Some studies point out that the consumption of cultural goods plays a central role in defining identity, also reporting information about ourselves and our origins (Berger and Heath, 2007). Despite this evidence, there is a lack of empirical studies on immigrants’ cultural choices in the host countries, and in particular, on how the immigrants’ preferences for cultural goods can impact on acculturation process (Bertacchini et al., 2022). At the same time, the sociological literature has deeply investigated the individual factors underlying cultural participation, however prohibiting every generalization and delegating the debate to mere classification (Falk and Katz-Gerro, 2016). Finally, other studies tried to explain the cultural consumption patterns of immigrants in the host countries by incorporating the concept of ethnicity into the cultural participation debate (Katz-Gerro et al., 2009), however often focusing primarily on multicultural societies or by placing in the wake of intergenerational transmission discussion (Novak-Leonard, 2015). Bertacchini et al., (2022) explore the drivers of immigrants’ cultural participation in Italy. The authors, focusing on the immigrants’ propensity to consume cultural and leisure goods in the host country, find that individual determinants such as language proficiency, duration of stay and intention to remain in the destination country positively impact immigrants’ participation in leisure and cultural activities. This study also confirms the role of cultural distance in explaining immigrants’ cultural choices.
Ethnic consumption

The identity concept is typically defined in terms of preferences (Bisin and Verdier, 2001) and ethnic groups tend to have home-biased preferences (Morey, 2016), which are carried over to the destination country when they migrate. Atkins et al. (2003) point out that individuals tend to favor the food they consumed as a child, so that, the food tastes and preferences developed in childhood pre-exist in adulthood. As a consequence, immigrants demand specific ethnic goods that are typical in their origin country but are often not available in destination countries; this led to the rising of ethnic food distribution channels (like the sushi business). The progressive development of new sectors, on the one hand, allows to face the growing demand for ethnic food expressed by immigrants, due to the progressive cultural diversification of modern societies; on the other hand, progressively modifies the habits and consumption of the natives, increasingly exposed to new lifestyles.

Furthermore, food choice represents a powerful vehicle for defining ethnic identities (see also the ethnosizer concept of Constant and Zimmermann (2008), conveying cultural-specific behavior, and contributing to the acculturation process of the immigrants in the host country. Food preferences are indeed affected by the norms and the values of different religions and cultures and have the potential to reveal the identity preferences of individuals (Atkin et al., 2021): cultural identification often implies limiting the consumption only to foods widely accepted by the cultural group to which they belong (or aim to).

Therefore, following the mainstream literature on the ethnicity-food consumption nexus, we identify three leading determinants of “multicultural” food choices in the destination countries: (i) the role of the salience of the ethnic group to which immigrants belong (Benjamin et al., 2010; Nosofsky, 1992); (ii) the role of the price of consumer goods; and (iii) group status self-esteem and greater utility (Tajfel and Turner, 1982).

Despite the richness of the contributions to the immigrants’ food choices in the nutrition and medicine literature, which mainly focused on the adoption process of more Western behaviors, less is known about the effects of food choices and taste preferences that include ethnicity as a socio-demographic factor. Recently, Zhou et al. (2020) using comparative analysis and the Tobit model, investigates the heterogeneity of internal migrants’ consumption in China, comparing skilled and labor migrants. The authors point
out the decisive role of education in shaping consumption. In particular, they show that education can directly affect internal migrant households' food choices: education positively influences income and consumption capacity; moreover, it expands literacy about food, improving food quality. Skilled migrant households with a college diploma or above have higher food consumption than traditional labor migrant households with lower education; moreover, the consumption structure of skilled migrants seems to be more advanced. Education can also impact food preferences indirectly: a higher level of education affects household wealth accumulation and debt (Hu et al., 2020); it modifies the family structure, such as family size, age, the sex ratio (Lugauer et al., 2019), and social security policies (Zhao et al., 2016). It also influences the settlement intention of internal migrant worker families (Cao et al., 2017).

In his qualitative study, Takenaka (2017), using the lens of Nikkei cuisine, aims to shed light on the integration process of Japanese immigrants in Peru: the process of food transformation and the progressive diffusion of Nikkei cuisine symbolizes the integration of Japanese immigrants into Peruvian society, elevating Nikkei cuisine to the center of their ethnic identity. Similarly, some studies have focused on the effect of length of stay on the food consumption of different ethnic groups of immigrants in the host country (Goel et al., 2004; Marín-Guerrero et al., 2015). From a general point of view, immigrants gradually adopt western dietary patterns as the length of stay in the destination country increases. Likewise, Gustavsen and Hegnes (2020) analyzing the daily food choices among different groups of immigrants in the US and corresponding groups of natives, show that after five years the immigrants’ food consumption converges towards the US diet. At the same time, the import of multicultural customs progressively receives a push towards westernization, making them more usable by the natives. In their study, Verbeke and Lopez (2005), investigating the drivers of native ethnic food preferences, find that natives’ food choices are positively affected by the level of education and by urban localization, and negatively influenced by age, while gender and income seem to have no impact on the main relationship. Along this line, Davis et al. (2019), using Yelp reviews, estimate how restaurant visits in NYC are affected by racial and ethnic segregation. The authors find that spatial and social frictions can influence urban consumption.
Migration and trade

Trade costs represent a fundamental element of the flow of international trade. Trade between countries requires companies to possess general import and export skills, to acquire specific skills regarding the foreign market as well as specific information on the political, economic, and social conditions of the foreign market they are aiming for, including cultures and traditions. The presence and the relevance of barriers to knowledge represent a constraint for these countries. In this vein, the role played by international migration in trade becomes central. Migrants, indeed, possess the knowledge able to enhance international trade by lowering information costs and boosting demand for goods from their destination countries. They possess in-depth knowledge about the acquisition of information on distribution networks, how to find the right component in the country of origin, as well as relevant strategic information on how to adapt a product to a specific context or how to adapt it to different qualitative and technical standards or again, adapting the best marketing strategy to a specific context (Rauch, 2001). This aspect represents a crucial point in the trade-migration link (Hatzigeorgiou, 2010). In our context the focus is on how migrants generate imports of country-of-origin consumption goods to their host country caused by their own demand and that induced by natives becoming familiar with these goods. A different angle is how migrants generate demand on host country ethnic goods in their countries of origin through social remittances home, the transfer of host country norms and preferences.

The question of whether immigrants affect international trade has been widely debated over the years (for a review, see Genc et al., 2012; Tadesse and White, 2010; 2011). There is, indeed, a considerable abundance of studies that consider the two-way interaction between international trade and international migration (Genc et al., 2012). Findings suggest that people from different countries of origin tend to boost bilateral trade, increasing the volume of the goods and services traded between the host and the receiving countries, emphasizing the role played by factors such as the possibility of obtaining specific knowledge of the foreign markets, more in-depth foreign language skills and more mutual trust. Furthermore, immigrants could reduce international information costs by using their informal and formal networks to conduct business in the destination countries, impacting international trade through an increase in the internal demand for specific goods, and boosting the availability of such goods in the host country.
(Bratti et al., 2014). Finally, international migration could exert pressure on domestic firms to ensure that substitutes are produced internally (Girma and Yu, 2002).

Since the seminal work of Gould (1994), the following two key factors driving the trade-migration link have been identified:

The role of immigrant preferences: tastes for home-country goods or specific ethnic products, expressed by immigrants in the destination country could increase the internal demand for these goods, stimulating bilateral trade between the two countries (White, 2007). Moreover, the progressive diffusion in the destination country of specific flavors and traditions could feed a widespread culture towards ethnic flavors, creating a special market in the home country, also fueled by the preferences of natives. Moreover, if the ethnic communities in the host country are strong enough, a substitution effect might also occur: the demand for ethnic goods increases among the natives, pushing domestic firms to produce substitutes for ethnic goods. A relevant strand of literature has tried to delve deeper into the demand channel in the trade-migration relationship (Girma and Yu, 2002; Felbermayr and Toubal, 2012). Bratti et al. (2014), focusing on a sample of the most influential contributions, show significant differences in volume between imports and exports. Along this line, Gene et al. (2012) point out a dissimilarity in their elasticity, in favor of a pro-import effect of immigration. This is not just connected to intuitive reasoning, which sees a persistent difference in preferences between immigrants and natives but involves complex and heterogeneous factors such as the presence of ethnic networks and transaction costs, for which further studies are still needed.

The role of transaction costs: the central issue in the trade-migration link is that it involves interactions between parties that often differ in culture, traditions, languages, and institutions. The existence of a certain degree of cultural dissimilarity between the countries leads to an increase in transaction costs (Tadesse and White, 2010): some studies suggest that greater cultural distance is negatively associated with bilateral trade flows (Dunlevy, 2006). In this perspective, immigrants possess a dense network of historical, formal, and informal relations as well as a wide range of information on the characteristics of the foreign market able to allow domestic firms to lower information costs, creating a commercial bridge between the two cultures (Poot and Strutt, 2010). Hatzigeorgiou (2010), exploiting data on bilateral migration stocks and trade flows in a wide range of countries, investigates the role of migration as trade facilitation. More in-depth, the author finds that migrants are able to lower transaction costs, given their information background; this positive effect is higher for differentiated goods than
homogeneous goods for which the transaction costs are, generally, higher. The attributes of differentiated goods, indeed, make it more difficult for domestic firms to obtain all the necessary information. In this vein, the role of migrants becomes crucial. Immigrants, therefore, act as an inhibitor of the negative effects on trade associated with cultural distance. A recent strand of literature focused on the role of the diaspora in the migration-trade link (Martinez-Zarzoso and Rudolf, 2020).

Finally, some empirical works focus on the education and skill level of immigrants in the trade-migration link. Felbermayr and Jung (2009), exploiting the flows between low-income sending countries and high-income receiving countries, find that the beneficial effects for trade are greater in presence of high-skilled immigrants, while Giovannetti and Lanati (2017), by incorporating the flow of high and low skilled immigrants in the receiving countries into an augmented gravity model, find that the high skilled immigrants, through the presence of higher quality ethnic networks, positively impact on trade, and along this line, the beneficial effect seems to be larger for exports. Similar contributions were provided by Felbermayr and Toubal (2012) and Herander and Saavedra (2005).

**Challenges and future research directions**

Studies dealing with the consumption context of migration are fairly rare in economics. Future research needs to better distinguish between ethnic differences and the consequences of the migration process, as well as the intergenerational transfer of consumption patterns. While the focus here was on the consumption consequences of migration, a profitable perspective could also be the consumption effects on migration patterns.
References


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