

Chance, Joseph; Tufts University

josephchance13@gmail.com

Authors: Joseph Chance

Title: Local Wage Effects of Outmigration: Evidence from the Philippines



A growing number of low- and middle-income countries are implementing international migration as a development strategy. By coordinating with other governments, programs such as the Philippines Overseas Employment Administration help workers find temporary jobs abroad, thus enabling migrants to both earn higher wages and send remittances back home. While there exists a large literature examining the effects of low-skilled migrants effects on the labor markets they enter, less examined are the effects of outmigration on the labor markets that migrants leave behind. If emigrants' skills are easily replaced by remaining workers, firms may compete for the remaining workers and offer higher wages. However, if high-skill emigrants are difficult to replace, those skills may be lost, and the high-wage jobs they would have had may disappear, reducing average wages. Furthermore, as more workers move away and send their families remittances, those family members may leave the labor force. In this paper I use administrative data on Philippine regions' labor markets and overseas workers to estimate the causal effect of outmigration on wages and labor force participation. To avoid endogeneity stemming from migration due to conditions at origin, I use pre-existing region-specific migrant shares for different destination countries and the economic growth of those destination countries as an instrument for regional outmigration over the period 1997 to 2015. I show that a 1 percentage point increase in overseas workers as a share of a region's labor force is associated with a 3.8% increase in real agricultural wages and an 11.2% decrease in formal sector wages. I find no net effects on overall wages or labor force participation, and I also find no evidence of heterogeneous effects by gender. These findings suggest that outmigration policy would benefit from consideration of externalities imposed on domestic workers resulting from outmigration. Particularly, policies leading to increased outmigration of agricultural workers relative to high-skill workers may reduce wage inequality in middle income countries.