Circular labor migration increases educational attainment in origin communities in the long run.

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**New Insights**

Malawi provides a uniquely advantageous setting for addressing questions about the long run effects of labor migration on education levels in sending communities. Throughout the twentieth century it was one of the primary suppliers of unskilled workers for South African mines. By the late 1970s, one in five Malawian men had worked abroad, typically on a series of two-year labor contracts that diverted two-thirds of their earnings (‘deferred pay’) to be paid on their return to Malawi. These men could not choose when to return, nor could they choose the amount of deferred pay to send. By entering into an institutionalized system of circular labor migration, the Malawian government ensured that a large share of incomes earned abroad would return home and that labor resources would not be forever lost to the country.

To study the net impact of this labor migration on education, we addressed the two main issues that always arise in migration research: (i) how to isolate causal effects of migration, and (ii) how to find good data on migration, remittances, and relevant economic outcomes.

To address the first issue, we studied a set of events that generated large, relatively exogenous district-level shocks to the number of migrants, and amounts of money flowing back to Malawi. Figure 1 shows a 200% increase in the number of migrants following the removal of a national labor quota for Malawian workers in 1967. In some communities, over 20% of the working age male population was working on a South African mine. In April 1974, a plane of returning miners crashed, killing over seventy workers. Then President Banda recalled all miners to Malawi and banned recruiting indefinitely. Levels of migration to South African mines never recovered after the ban was lifted in 1977 because mining companies redirected their hiring policies away from foreign labor.

The beginning and end of the migration surge shown in Figure 1 brackets our “treatment”: a concentrated period of shocks to migration and migrant earnings. Districts with pre-existing recruiting stations, established by the mining companies as early as the 1930s, were most affected by this treatment because they made...
First, even in countries where children do participate in the labor market, the positive income effects of labor migration on the demand for education outweigh any potential negative substitution effects of this migration on the demand for child labor. Second, the return of remittances from migration is key. Facilitating and reducing the cost of returning remittances is likely to be important for maximizing the positive impacts of circular labor migration.

Policy Recommendations

Using newly collected administrative data and exploiting a natural experiment in shocks to labor migration, this paper provides direct evidence on one of the channels through which circular labor migration positively affects the lives of those families and communities that are ‘left behind’. Our evidence shows that the immediate impacts of circular labor migration on school enrolment translate into long-run improvement in human capital. Twenty to thirty years later, adults in rural origin communities most affected by the migration shocks have higher levels of education.

More specifically, the results of this work highlight a number of issues that are relevant and important for future policy formulation:

- First, even in countries where children do participate in the labor market, the positive income effects of labor migration on the demand for education outweigh any potential negative substitution effects of this migration on the demand for child labor.
- Second, the return of remittances from migration is key. Facilitating and reducing the cost of returning remittances is likely to be important for maximizing the positive impacts of circular labor migration.
- Third, policymakers should consider experimenting with guest worker programs to provide pathways out of poverty for families and sending communities. Modern guest worker programs have many similarities with the organized mine migration – for example, limited-time work contracts, in-built circular migration flows and periodic labor bans. Our work shows that there may be scope for modern guest worker programs to have positive, long-lasting impacts on human capital in sending regions, contributing to the development impacts of international labor migration.

Limitations

Although this new evidence from Malawi shows that international labor migration raised human capital profiles of future workers in sending areas, rather than crowding out school enrolment, there is some indication that the long-run impacts of labor migration on human capital of the next generation are muted in places where the ‘shadow’ value of child labor is relatively high. There is also some evidence that when the shock ends – and specifically, when migrant earnings dry up – the effects on education dissipate.

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