Distortions in the International Migrant Labor Market: Evidence from Filipino Migration and Wage Responses to Destination Country Economic Shocks

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Non-Technical Abstract

We use an original panel dataset of migrant departures from the Philippines to identify the responsiveness of migrant numbers and wages to GDP shocks in destination countries. We find a large significant elasticity of migrant numbers to GDP shocks at destination, but no significant wage response. This is consistent with binding minimum wages for migrant labor. This result implies that labor market imperfections that make international migration attractive also make migrant flows more sensitive to global business cycles. Difference-in-differences analysis of a minimum wage change for maids confirms that minimum wages bind and demand is price sensitive without these distortions.

Keywords: international migration, migrant demand, labor output elasticity, minimum wages.

JEL Classification: O12, J23, F22.