

Labor Migration and the Structure of Rural Labor Markets*

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Abstract

Can labor migration promote a measure of structural change in sending communities by allowing workers to accumulate capital outside of their country of origin? Using the historical experience of circular labor migration between Malawi and the gold mines in South Africa, we investigate how oscillating flows of men and inflows of money affect rural labor markets over the long run. We use a difference-in-differences design and newly digitized Census and administrative data to measure what happens to labor market outcomes in the twenty years following two plausibly exogenous shocks to the option to migrate. In places with high exposure to migration shocks, workers shift out of agriculture and into more capital-intensive non-farm service activities. We show that capital accumulated abroad is a key channel for these structural changes. [128 words]

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