

Easy Come, Easy Go? Economic Shocks, Labor Migration and the Family Left Behind

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Abstract

This paper studies the impact of negative shocks to migrant earnings abroad on their remittance-dependent families left behind in Vietnam. Combining exogenous destination- and skill-specific variation in the shock intensities generated by the Great Recession abroad with outcomes from a panel of households in Vietnam with both international and domestic migrants, I adopt a natural experiment approach investigating their shock coping strategies and how they revise their migration decisions ex-post. The results show that the shocks led to heterogeneous household responses at the origin. Low-skilled households were negatively affected and coped by increasing labor supply at home and sending more migrants to foreign destinations, while reducing the number of domestic migrants. High-skilled ones remained largely unaffected. I provide a theoretical framework, which rationalizes this heterogeneity in household responses by the relative magnitudes of the income and substitution effects caused by the shock. The findings contribute to different literature in Development and Migration by providing evidence of self-reinforcing migration flows during times of crisis abroad, novel evidence on the trade-off between domestic and foreign migration strategies in developing countries, and documenting the risks attached to remittance-dependence at origin.

JEL classification: D10, F22, J61, O15, P36, R23

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