

# Excess demand for unskilled labor drives forced labor — Evidence from Myanmar and Thailand\*

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Over 25 million people are currently victims of forced labor globally, and the vast majority of these workers are low-skilled migrant workers that migrated from a different country or region. Evidence so far indicates that much of the labor exploitation has roots in the recruitment process. This motivates the question of whether there are any characteristics common to high-risk labor recruitment processes that can serve as reliable indicators of forced labor outcomes. Leveraging unique datasets from the Issara Institute on demand for Burmese migrant workers in Thailand and worker voice data from 2017-2019, we find that local competition for low-skilled labor increases demand for migrant workers, and that excess demand for such labor significantly increases migrant worker abuse. Using an Instrumental Variable (IV) approach, we find that a 10% increase in weekly excess demand leads to a nearly 1% increase in labor abuse in that week. Importantly, such a 10% increase in weekly excess demand occurs for nearly a third of the weeks in our dataset. We also find significant heterogeneity across provinces; the effect for some provinces is up to 9.6% for a 10% increase in excess demand, with such excesses occurring 61% of the time. The effect dampens as the excess demand happens less frequently. This suggests that operational inefficiencies in the labor market that contribute to labor demand excesses play an important role in determining labor abuse outcomes, and that reducing these inefficiencies could help mitigate labor abuse.

*Key words:* forced labor, informal labor supply chains, human trafficking

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