



Estimating the economic effects of migration and remittances on the left-behind in Cambodia

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In 2012, with the support of UK Department for international Development (DfID or UK Aid) and the International Development Research Centre (IDRC) of Canada, PEP launched a new program to support and build capacities for "Policy Analyses on Growth and Employment" (PAGE) in developing countries.

This brief summarizes the main features and outcomes of one of the projects selected for support under the 1st PAGE funding round (2013-2014).

In this project, a team of local researchers in Cambodia aim to assess the effects of remittances from internal and international migrants on the well-being and labour participation of recipient households.

Internal and international migration in Cambodia

According to statistics provided by the Ministry of Labor and Vocational Training (MoLVT), there were 22,493 Cambodians who migrated legally in 2013 - mainly to Thailand, South Korea, Malaysia and Japan. On average, between 2000 and 2013, the number of legal international emigrants from Cambodia has increased by 25.6% per year. These numbers do not account for illegal emigration, which is more difficult to keep track of. However, it is estimated that, if illegal international emigrants were to be included in the count, there were about 350,000 Cambodians working in other countries in 2010.

While the share of outward migration is indeed growing, 80% of Cambodia's total migration is, in fact, internal (or "in-country"), with a vast majority of "inner migrants" moving from less developed areas to the country's major economic centres, such as Phnom Penh.

These trends are likely to continue, at least in the medium term, as labour markets (at both national and local levels) have yet to adapt to accommodate the young and growing labour force - with roughly 300,000 entrants per year. Cambodia is thus expected to have a growing flow of migrant workers, both internally and cross-border, and particularly after the implementation of the ASEAN Economic Community.

The situation – and related issues, such as a rise in



workers' exploitation - has triggered empirical and policy debates to seek effective solutions, both to protect migrant workers and to harness maximum development benefits from the phenomenon.

In the context of such ongoing policy debates, there is growing demand for reliable evidence base to inform and support policy design and decision-making.

In response to this demand, a team of local researchers have sought PEP support to conduct a rigorous analysis of the effects of internal and international remittances on the economic situation of the left-behind (source) households – including the level, depth and severity of poverty, as well as labour participation. The latter is measured by the salary earnings and number of hours worked weekly by household members who are "employed" (aged 15-64) in both primary and secondary occupations.

Methodology and data

In order to identify and compare the situations of households who receive remittances (from a migrated member), with those (non-migrant) households who do not, the team applied the statistical matching technique of “Propensity Score Matching (PSM)” (i.e. to build groups of comparable households in the two categories) on nationally-representative data from the 2009 Cambodia Socio-Economic Survey (CSES).

The 2009 CSES dataset comprises data from 15,000 surveyed households, covering 24 provinces/cities.

Characteristics of migrants and source households

Data show that the majority of internal and international emigrants are young (15 to 35 years old), reflecting Cambodia’s generally young population and labour force. There is no significant difference in gender of emigrants - except for slightly higher numbers of male migrants, in all categories.

One outstanding fact is that a great majority of Cambodian emigrants resort to informal channels to transfer remittances to their families – mainly

Table 1: Characteristics of individual Cambodian migrant workers

| | All (n = 1,753) | Internal (n = 1,396) | International (n = 357) |
|---|--------------------|-------------------------|----------------------------|
| Destination (%) | 100.0 | 79.6 | 20.4 |
| Age (%) | | | |
| [15-19] | 16.3 | 13.3 | 3.0 |
| [20-24] | 29.0 | 23.8 | 5.2 |
| [25-29] | 24.2 | 19.3 | 4.9 |
| [30-34] | 12.6 | 9.2 | 3.4 |
| [35-39] | 9.1 | 6.9 | 2.2 |
| [40-] | 8.9 | 7.2 | 1.7 |
| Sex (%) | | | |
| Male | 55.1 | 41.9 | 13.2 |
| Female | 44.9 | 37.7 | 7.2 |
| Education of migrants (%) | | | |
| No class completed | 4.4 | 3.1 | 1.3 |
| [0-3] | 11.6 | 8.7 | 2.9 |
| [4-7] | 45.0 | 34.6 | 10.4 |
| [8-11] | 25.4 | 21.6 | 3.8 |
| [12-] | 12.4 | 11.0 | 1.4 |
| DK | 1.3 | 0.7 | 0.6 |
| Means/channel used to send money (%) | | | |
| Western union | 0.8 | 0.4 | 0.4 |
| Bank transfer | 3.0 | 0.9 | 2.1 |
| Via other person | 95.5 | 92.6 | 2.9 |
| Other | 0.7 | 0.4 | 0.3 |

Generally speaking, remittance-receiving households are larger, including more working age members, and are better educated. Descriptive results also indicate that remittance-receiving households have lower poverty headcount compared to non-migrant counterparts.

Main findings

As a result of their analysis (of the available data), the researchers found evidence that remittances help **reduce poverty incidence** of migrant-sending households compared to their matched non-migrant households’.

- For instance, the poverty level of an average household with at least one member who has emigrated internally, and where remittances have been received in the last 12 months is 3 to 6% lower than that of non-migrant counterparts.
- International remittances have an even bigger impact on poverty reduction, with a difference of at least 4-7% in the poverty level.

The decreased poverty incidence is also reflected in the **increased total consumption** of both

internal and international remittance-receiving households, which is 9 to 13% higher than that of non-migrant households.

Remittances also help reduce **poverty depth**, but the effect is minimal at 1% vis-à-vis their comparable non-migrant households.

However, remittances also create “**dependency effects**” among the left-behind household members. This is evident by the decreased number of hours worked weekly, by working age household members, which is 5 to 9% lower compared to members’ of non-migrants households.

N.B. In the case of international remittances, however, the results should be read with caution, given the very limited size of the available sample of (181) international remittance-receiving households.

Recommendations on migration data

In the context, and as a result, of this study project, the research team has also come to realize and call attention to the limitations and insufficiencies of the current nationally-representative datasets on migration in Cambodia. Not only that of the five-year CSEs, but even data collected through the more recent (2012) and more focused Cambodia Rural Urban Migration Survey lack the necessary information to conduct rigorous assessments on these issues.

Generally, the information collected in relation to emigration needs to be more comprehensive, including retrospective questions about both emigrants and source (left-behind) households, as well as information and situations of emigrants at receiving destination. This would allow researchers to answer policy-relevant questions about emigration, as well as to resolve some “selection” issues when there is no credible baseline information.

Policy options

In general, the issues related to emigration (including remittances and impacts on socioeconomic outcomes of both migrants and left-behind household members) are multi-faceted - which implies that there can be no “one-size-fits-all” solutions, especially when it comes to public policy.

Nonetheless, the researchers present a few implications and options for policymaking, which can be derived directly or indirectly from the evidence produced in the context of their analysis.

1. Results suggest that remittances, and thus indirectly emigration, could be a short-term solution to help reduce poverty in Cambodia.
2. In terms of actual policy interventions, the government can help facilitate the flow of internal and international remittances, particularly through formal transfer channels - e.g. microfinance institutions (MFIs) or commercial banks. A potential medium-term

strategy could be to work with MFIs in increasing financial access of migrant-sending households, targeting villages with high emigration rate.

3. As the majority of international migrants are illegal, especially in Thailand, the government may also help by increasing efforts and collaboration with the relevant Thai counterparts to formally register illegal migrant workers, so that they could access financial services.
4. Finally, in order to help maximize the potential development benefits of emigration and remittances, the left-behind households should be provided with counselling services on productive uses of remittances. Policies or programs that connect remittance-receiving households with financial institutions, for the former to obtain loans to start up or invest in local businesses, may contribute to increasing productive investment of remittances.



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To find out more about the research method and findings, read the full [PEP working paper 2015-06](#)