



Economic Impact of International Migration on Households

What we thought we knew; what
we need to know

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Outline

- Methodological Issues
- Review of Empirical Research
 - Consumption
 - Human capital investments
 - Labor supply
 - Ownership of other assets
 - Entrepreneurial activities
 - Poverty and inequality



Methodological Issues – 1/2

- Simple comparison of outcomes of interest for household with / without migrants or receiving / not receiving remittances
- Multivariate methods with migration/remittances as (one of) the determinant
- **Basic problem:** Simultaneity between outcomes of interest and migration / remittance
 - Both are determined by the same variables
 - Both are determined by a third variable, maybe unobserved



Methodological Issues – 2/2

■ Suggested Solutions

- Use exchange rate shock as the exogenous variable directly (Yang, 2005) or as an instrument to remittances (Yang and Martinez, 2005)
- Matching (currently being undertaken)



On Consumption

■ Some disagreements

- Remittances increase consumption (Tullao, et al. 2007[simple comparison])
 - Qualification: more conspicuous consumption, e.g. leisure [Tabuga,2007; Rodriguez and Tiongson, 2001]
- Better consumption smoothing [Tullao et al, 2007 – using pseudo panel data)
- No impact (Yang, 2005 - used exogenous change in exchange rate)
- Matching estimates show statistically higher expenditure per capita those receiving remittances



On human capital investments


- Mostly positive impact on both education and health
 - Higher share of expenditure on education and health (Tullao, et al. 2007)
 - Positive coefficient for education expenditures and more schooling for children (10-17) (Yang, 2005)
 - Matching estimates shows significantly higher education and health expenditure per capita for those receiving remittances



On labor supply

- Some disagreement

- Decrease in labor force participation of relative (Rodriguez and Tiongson, 2001), lower labor force participation and employment (Tullao et al, 2007)
- Spouses: wife's LFP declines with husbands remittances and vice-versa (Cabigen, 2006)
- Less child labor - negative impact on hours worked for children (10-17) (Yang, 2005)
- Not significant on total hours worked; hours worked outside household; and hour worked without pay for family-operated farms or business (Yang, 2005)
- Higher probability of having new entrepreneurial activity; increase hours in self employment (Yang, 2005)



On ownership of other assets

- Higher housing investments of household with migrants / remittances
- Not significant for real property purchases, loan repayments, and bank deposits (Yang, 2005)
- Positive impact for ownerships of TV, living room sets, vehicles (Yang, 2005)



On entrepreneurial activities

- Insignificant for overall entrepreneurial activity (“self-employment”) (Yang, 2005)
- Increase the probability of starting an entrepreneurial activity (Yang, 2005)
 - Greater entry into transportation and communication services; manufacturing entrepreneurship
 - Not significant for crop farming and gardening and wholesale and retail trade



On poverty and inequality

- Remittances positive impact on inequality as these are concentrated in higher income deciles [Tullao et al, 2007]
- Remittances increased the Gini coefficients [Rodriguez, 1998]
- Remittances have negative impact on poverty incidence of increase in remittances [Yang and Martinez, 2005, Sawada and Estudillo (SE), 2006]
 - Increase in income directly (transfer income in the case of SE)
 - Increase in gifts to other households



References

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