OECD Development Pathways

Interrelations between Public Policies, Migration and Development in Cambodia

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Foreword

Cambodia has achieved steady economic growth since 2010, averaging 7% a year. The country has also become more integrated within Southeast Asia. This has been accompanied by increasing emigration, mostly to neighbouring countries, as well as greater volumes of remittances. As the social and economic importance of migration has grown, the country has begun to place more emphasis on enhancing the links between migration and development.

In 2013, the OECD Development Centre and the European Commission began a project to provide empirical evidence on the interrelations between public policies, migration and development (IPPMD) in ten countries around the world, including Cambodia. This report, which presents Cambodia's findings, is the result of four years of fieldwork, empirical analysis and policy dialogue conducted in collaboration with the Cambodia Development Resource Institute (CDRI), and with strong support from the Ministry of Interior.

The analysis takes a two-pronged approach: on the one hand it explores how various migration dimensions affect key policy sectors, namely the labour market, agriculture, education, and investment and financial services. On the other hand it analyses the influence of sectoral policies on migration outcomes, such as the decision to migrate, the use of remittances and the success of return migration. The empirical analysis draws on quantitative data collected from 2 000 household and 100 community surveys across eight Cambodian provinces. It was enriched by 28 qualitative stakeholder interviews, as well as discussions with key stakeholders and policy makers in Cambodia.

This report is published in parallel with nine other country reports – presenting the findings in the other IPPMD partner countries – and a comparative report. The comparative report provides a cross-country overview drawing on the data and analysis conducted in the ten partner countries. The Cambodia report is intended as a baseline for improving understanding of the role of public policies in the migration and development nexus in Cambodia. It also aims at fostering policy dialogue and providing guidance on how best to integrate migration into national development strategies. The OECD Development Centre and CDRI look forward to continuing their co-operation to enhance the positive contribution of migration to the sustainable development of Cambodia.

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The team was led by David Khoudour, Head of the Migration and Skills Unit, under the guidance of Mario Pezzini, Director of the OECD Development Centre. The report was drafted by Lisa Andersson, Bram Dekker, Jason Gagnon, Vutha Hing, Hyeshin Park and Vathana Roth. Fiona Hinchcliffe edited the report and the OECD Development Centre's publications team, led by Delphine Grandrieux, turned the draft into a publication. The cover was designed by Aida Buendía. Hyeshin Park managed the overall co-ordination of the report.

The partnership with the MOI as the project's government focal point is gratefully acknowledged. We would like to especially thank H.E Ngy Chanphal, Secretary of State and Hay Younell for their instrumental contribution throughout the project. MOI played an important role in convening the launch of the project in Cambodia in November 2013 and the conduct of the consultation in June 2015. Participants at these various events provided useful comments and insights for the report.

This study is based on fieldwork conducted in Cambodia. The authors are grateful to Ms Pon Dorina, CDRI field coordinator and other field enumerators for their assistance in carrying out challenging fieldwork. Ker Bopha, CDRI data specialist also deserves special thanks for their assistance in supervising the data entry and cleaning process.

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List of acronyms and abbreviations

ASEAN	Association of Southeast Asian Nations
CDRI	Cambodia Development Resource Institute
CRUMP	Cambodia's Rural Urban Migration Project
CSES	Cambodian Socio-Economic Survey
EU	European Union
FDI	Foreign direct investment
GDP	Gross domestic product
IPPMD	Interrelations between Public Policies, Migration and Development
KHR	Cambodian riel (currency)
LCU	Local currency unit
MAFF	Ministry of Agriculture, Forestry and Fisheries
MFAIC	Ministry of Foreign Affairs and International Cooperation
MOEYS	Ministry of Education, Youth and Sport
MOLVT	Ministry of Labour and Vocational Training
MOI	Ministry of Interior
MoU	Memorandum of understanding
MOWA	Ministry of Women's Affairs
MRD	Ministry for Rural Development
NGO	Non-government organisation
OLS	Ordinary least square
PEP	Public employment programme
TVET	Technical vocational education and training
USD	United States dollars

Facts and figures of Cambodia

(Numbers in parentheses refer to the OECD average)

The land, people and electoral cycle

Population (million)[f]	15.7	Official language	Khmer
Under 15 (%)[f]	32 (18)	Form of government	Constitutional monarchy
Population density (per km^2)[f]	88 (37)	Last general election	28 July 2013
Land area (thousand km^2)	176.5		

The economy

GDP, current prices (billion USD)[f]	18.0	Exports of goods and services (% of GDP)[f]	61.7 (28.5)
GDP growth (%)[f]	7.0 (2.1)	Imports of goods and services (% of GDP)[f]	66.1(28.2)
GDP per capita, PPP (thousand USD)[f]	3.3 (38.0)	GDP shares (%)[f]	
Inflation rate[f]	1.2 (0.2)	Agriculture, forestry and fishing	28.2 (1.6)
General government total expenditure (% of GDP)[e]	20.9	Industry, including construction	29.4 (24.2)
General government revenue (% of GDP)[e]	19.6	Services	42.3 (74.2)

Well-being

Life satisfaction (average on 1-10 scale)[f]	4.2 (6.5)	Proportion of population under national minimum income standard (%)[c]	17.7
Life expectancy[e]	68 (80)	Unemployment rate (%)[d]	0.3 (7.8)
Income inequality (Gini coefficient)[c]	31 (32)	Youth unemployment rate (ages 15 to 24, %)[a]	0.5 (17.0)
Gender inequality (SIGI index)[e]	0.0477 (0.0224)	Satisfaction with the availability of affordable housing (% satisfied)[f]	77 (55)
Labour force participation (% of 15 to 64 year old)[e]	85.0 (70.7)	Enrolment rates (%)	
Employment-to-population ratio (15 and over, %)[d]	82.8 (55.4)	Primary (Net)[e]	95 (96)
Population with access to improved sanitation facilities (%)[f]	42 (98)	Secondary (Gross)[a]	45 (98)
Mean years of schooling[a]	3.7	Tertiary (Gross)[b]	16 (70)

Note: a) Data for 2008-2010; b) Data for 2011; c) Data for 2012; d) Data for 2013; e) Data for 2014; f) Data for 2015

Sources: World Bank, World Development Indicators (database), *http://data.worldbank.org/*; OECD, SIGI Social Institutions and Gender index, *http://www.genderindex.org/*; IMF, World Economic Outlook Database, International Monetary Fund, October 2016 edition; UNESCO Institute for Statistics, Data Centre, *http://stats.uis.unesco.org*; Gallup (2015), Gallup World Poll (database), Gallup Organisation.

Executive summary

Emigration is a significant and growing phenomenon for Cambodia. Between 2000 and 2015, the stock of Cambodians abroad increased by about 160%, from around half a million to 1.2 million people. Today, about 10% of Cambodians over the age of 15 plan to emigrate. Despite the country's steady economic growth, labour market demand has not been sufficient to meet the increase in the working population, and poverty remains significant, despite encouraging signs. Many households choose migration as a strategy for improving their livelihoods.

The Royal Government of Cambodia is also starting to act: a guideline issued in 2013 on the management of migration underscores the links between migration and development. The key question now is how to create a favourable policy environment to make migration work for development. The Interrelations between Public Policies, Migration and Development (IPPMD) project – managed by the OECD Development Centre and co-financed by the European Union – was conceived to enable this discussion in Cambodia. The IPPMD project explores:

1. how migration's multiple dimensions (emigration, remittances, return migration) affect some key sectors for development, including the labour market, agriculture, education, and investment and financial services
2. how public policies in these sectors enhance, or undermine, the development impact of migration.

This report summarises the findings and main policy recommendations stemming from empirical research conducted between 2013 and 2017 in collaboration with the Cambodia Development Resource Institute (CDRI) and the Ministry of Interior. Data were gathered from a survey of 2 000 households, interviews with 100 local authorities and community leaders, and 28 in-depth stakeholder interviews across Cambodia. Robust analysis, accounting for Cambodian political, economic and social contexts, sheds new light on the complex relationship between migration and sectoral policies.

Policy coherence is critical

The research provides evidence of the links between migration and a range of key development indicators in Cambodia. It finds that various dimensions of migration – emigration, remittances and return migration – have both positive and negative effects on key sectors of the Cambodian economy. Similarly, sectoral policies have unexpected and sometimes contradictory impacts on migration and its role in development.

Labour market policies are doing little to stem emigration

Cambodia is primarily an agricultural economy. Many low-skilled workers from agricultural households – both rural and urban – are moving to neighbouring countries, such as Malaysia and Thailand, to seek work. The result is a shortage of agricultural workers, particularly on rice farms and during harvest seasons. The IPPMD research found that lack of coherence in domestic labour market policies is sending mixed signals on migration. On the one hand, government employment agencies seem to be reducing emigration by providing information on the domestic labour market. Only 6% of beneficiaries of government employment agencies have plans to emigrate, compared to 17% of non-beneficiaries. On the other hand, public employment programmes – such as food and cash-for-work – tend to increase emigration by helping households cover the costs of moving abroad. Vocational training programmes seem to have limited impact on migration decisions, probably because of their low take-up and patchy coverage.

Agricultural subsidies influence emigration

The IPPMD analysis shows that agricultural policies may be encouraging members of agricultural households to emigrate. For instance, households benefiting from agricultural subsidies in the five years prior to the survey were more likely to have had a member emigrate than households not benefiting from subsidies. Subsidies may be providing enough additional income to cover the costs of emigration. On the other hand, the analysis found a link between subsidies for inputs, such as improved seeds, and remittances. Such subsidies may be encouraging emigrants to send remittances home so their families can get the most out of these inputs for investing in their land.

Returns to education are lower than the benefits of emigrating

Migration, via remittances, can allow households to spend more on educating their children. The project found a strong positive link between remittances and household spending on schooling. At the same time, it found that emigration by household members may force children out of school to take on more housework or work outside the home: the share of young people not attending school is higher amongst those living in emigrant households than in non-migrant households, particularly in rural areas. It also seems that the prospect of future emigration is undermining school attendance: secondary school drop-out rates are highest amongst boys in rural emigrant households.

The returns to education in Cambodia seem to be lower than the benefits of emigrating. It is thus important to ensure that young people have the means and incentives to complete secondary education. The project found that existing education programmes, however, have little impact on household migration decisions, probably because they mainly involve in-kind support and are of fairly limited coverage.

Investment is not being boosted by migration

Despite the large amounts of remittances flowing into Cambodia, the research finds that these funds are not being invested productively (other than in education). Similarly, return migration does not seem to boost investments. These are major missed opportunities for a country that is rebuilding much of its capital stock. In a context where the decision to emigrate is largely influenced by poverty, lack of employment and alternative income sources, remittances or financial capital brought home by return migrants may be spent on basic needs, rather than on productive investments. The research found that repaying loans and debts is the most common expenditure by remittance-receiving households.

The research also found that the share of people with a bank account and savings in a financial institution is still very low in Cambodia, as is participation in financial training programmes. Yet a favourable investment climate and inclusive financial institutions can stimulate savings and investments. Expanding access to the formal financial sector and financial training programmes may help people send and receive more remittances, and to do so through formal channels.

The way forward: Integrate migration into sectoral and national development strategies

Migration can benefit Cambodia's economic and social development, but its potential is not yet fully realised. Although Cambodia's national development strategies are beginning to take account of migration, its profile is still rather low. Furthermore, many sectoral policy makers do not yet sufficiently take migration into account in their respective policy areas. A more coherent policy framework across ministries and at different levels of government would make the most of migration and remove conflicting signals. Migration needs to be considered in the design, implementation, monitoring and evaluation of relevant sectoral development policies. For example:

- Employment agencies could reach out to both current emigrants abroad and migrants who have returned.
- Labour market institutions in rural areas could increase their coverage to ensure that agricultural households can replace labour lost to emigration.
- Agricultural subsidies could be conditional on subsequent yields rather than being provided in advance.
- Cash and in-kind distribution programmes could be expanded in areas with high emigration rates to encourage young people to complete secondary education.
- A national financial literacy programme would enable Cambodians in general, and migrants and their families in particular, to invest remittances productively.

Chapter 1

Overview and policy recommendations in Cambodia

Cambodia is missing opportunities to harness the development potential of its high rates of emigration. The Interrelations between Public Policies, Migration and Development (IPPMD) project was conducted in Cambodia between 2013 and 2017 to explore through both quantitative and qualitative analysis the two-way relationship between migration and public policies in four key sectors – the labour market, agriculture, education, and investment and financial services. This chapter provides an overview of the project's findings, highlighting the potential for migration in many of its dimensions (emigration, remittances and return migration) to boost development, and analysing the sectoral policies in Cambodia that will allow this to happen.

International migration has the potential to become an important determinant for development in Cambodia, given its increasing social and economic impact. Despite the county's steady economic growth at around 7% since 2010, labour market demand has not been sufficient to meet the increase in the working population, in particular for young people. Furthermore, poverty remains at a significant level although there are signs that it is declining. Many households choose migration as a strategy for improving their livelihoods. The key question now is how to create a favourable policy environment to make the most of migration for development in Cambodia.

In this context, this report aims to provide policy makers with empirical evidence of the role played by migration in policy areas that matter for development. It also explores the influence on migration of public policies not specifically targeted at migration (Box 1.1). This chapter provides an overview of the findings and policy recommendations for taking the interrelations between migration and public policies into account in development strategies.

Box 1.1. **What is the IPPMD project?**

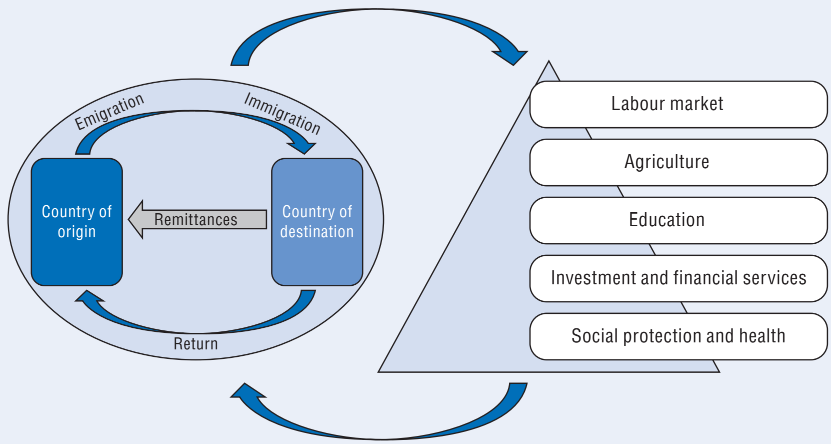
In January 2013, the OECD Development Centre launched a project, co-funded by the EU Thematic Programme on Migration and Asylum, on the **Interrelations between public policies, migration and development: case studies and policy recommendations** (IPPMD). This project – carried out in ten low and middle-income countries between 2013 and 2017 – sought to provide policy makers with evidence of the importance of integrating migration into development strategies and fostering coherence across sectoral policies. A balanced mix of developing countries was chosen to participate in the project: Armenia, Burkina Faso, Cambodia, Costa Rica, Côte d'Ivoire, the Dominican Republic, Georgia, Haiti, Morocco and the Philippines.

While evidence abounds of the impacts – both positive and negative – of migration on development, the reasons why policy makers should integrate migration into development planning still lack empirical foundations. The IPPMD project aimed to fill this knowledge gap by providing reliable evidence not only for the contribution of migration to development, but also for how this contribution can be reinforced through policies in a range of sectors. To do so, the OECD designed a conceptual framework that explores the links between four dimensions of migration (emigration, remittances, return migration and immigration) and five key policy sectors: the labour market,

Box 1.1. **What is the IPPMD project?** *(cont.)*

agriculture, education, investment and financial services, and social protection and health (Figure 1.1). The conceptual framework also linked these five sectoral policies to a variety of migration outcomes (Table 1.1).

Figure 1.1. **Migration and sectoral development policies: a two-way relationship**



The methodological framework developed by the OECD Development Centre and the data collected by its local research partners together offer an opportunity to fill significant knowledge gaps surrounding the migration and development nexus. Several aspects in particular make the IPPMD approach unique and important for shedding light on how the two-way relationship between migration and public policies affects development:

- The same survey tools were used in all countries over the same time period (2014-15), allowing for comparisons across countries.
- The surveys covered a variety of migration dimensions and outcomes (Table 1.1), thus providing a comprehensive overview of the migration cycle.
- The project examined a wide set of policy programmes across countries covering the five key sectors.
- Quantitative and qualitative tools were combined to collect a large new body of primary data on the ten partner countries:

1. A **household survey** covered on average around 2 000 households in each country, both migrant and non-migrant households. Overall, more than 20 500 households, representing about 100 000 individuals, were interviewed for the project.

Box 1.1. **What is the IPPMD project?** *(cont.)*

2. A **community survey** reached a total of 590 local authorities and community leaders in the communities where the household questionnaire was administered.
3. **Qualitative in-depth stakeholder interviews** were held with key stakeholders representing national and local authorities, academia, international organisations, civil society and the private sector. In total, 376 interviews were carried out across the ten countries.

- The data were analysed using both descriptive and regression techniques. The former identifies broad patterns and correlations between key variables concerning migration and public policies, while the latter deepens the empirical understanding of these interrelations by also controlling for other factors.

Table 1.1. **Migration dimensions and migration outcomes in the IPPMD study**

	Migration dimensions	Migration outcomes
Emigration	**Emigration** happens when people live outside of their countries of origin for at least three consecutive months.[1]	The **decision to emigrate** is an important outcome for the countries of origin, not only because it may lead to actual outflows of people in the short term, but also because it may increase the number of emigrants living abroad in the long term.
Remittances	**Remittances** are international transfers, mostly financial, that emigrants send to those left behind.[2]	The **sending and receiving of remittances** includes the amount of remittances received and channels used to transfer money, which in turn affect the ability to make long-term investments. The **use of remittances** is often considered as a priority for policy makers, who would like to orientate remittances towards productive investment.
Return migration	**Return migration** occurs when international migrants decide to go back to and settle in, temporarily or permanently, their countries of origin.	The **decision to return** is influenced by various factors including personal preferences towards home countries or circumstances in host countries. Return migration, either temporary or permanent, can be beneficial for countries of origin, especially when it involves highly skilled people. The **sustainability of return** measures the success of return migration, whether voluntary or forced, for the migrants and their families, but also for the home country.
Immigration	**Immigration** occurs when individuals born in another country – regardless of their citizenship – stay in a country for at least three months.	The **integration of immigrants** implies that they have better living conditions and contribute more to the development of their host and, by extension, home countries.

1. Due to the lack of data, the role of diasporas – which often make an active contribution to hometown associations or professional or interest networks – is not analysed in this report.
2. Besides financial transfers, remittances also include *social remittances* – i.e. the ideas, values and social capital transferred by migrants. Even though social remittances represent an important aspect of the migration-development nexus, they go beyond the scope of this project and are therefore not discussed in this report.

In October 2016, the OECD Development Centre and European Commission hosted a dialogue in Paris on tapping the benefits of migration for development through

Box 1.1. **What is the IPPMD project?** *(cont.)*

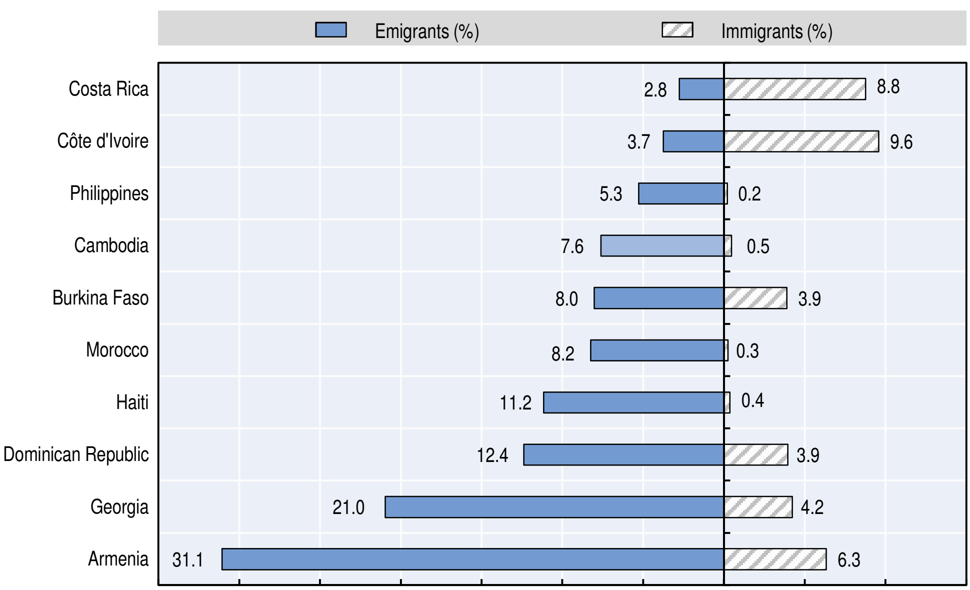
more coherent policies. The event served as a platform for policy dialogue between policy makers from partner countries, academic experts, civil society and multilateral organisations. It discussed the findings and concrete policies that can help enhance the contribution of migration to the development of both countries of origin and destination. A cross-country comparative report and the ten country reports will be published in 2017.

Why was Cambodia included in the IPPMD project?

The weight of emigration is significant in Cambodia. Data from the United Nations indicate that there were an estimated 1.2 million Cambodian migrants in 2015, equivalent to around 7.6% of Cambodia's total population (Figure 1.2). While this is a smaller share than in most of the IPPMD partner countries, what is notable is how quickly the stock of emigrants has grown. The statistics show that between 2000 and 2015, the stock of emigrants increased from around half a million to 1.2 million (an increase of about 160%) (Chapter 2). In addition, according to the IPPMD data, about 10% of Cambodians aged 15 and older plan to emigrate, which is near the average for the ten partner countries.

Figure 1.2. **Cambodia is a country of net emigration**

Emigrant and immigrant stocks as a percentage of the population (2015)



Note: Data come from national censuses, labour force surveys, and population registers.

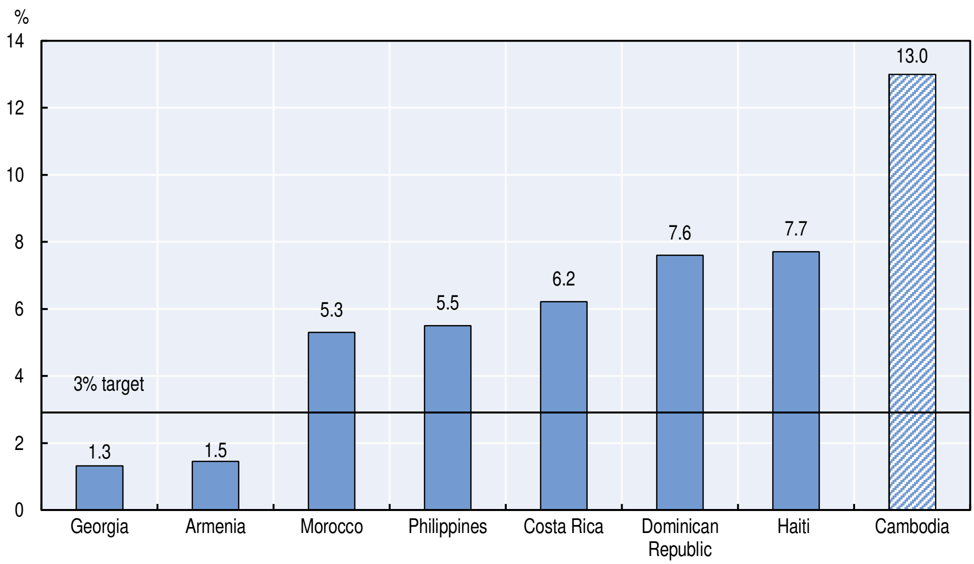
Source: UN DESA (2015), *International Migration Stock: The 2015 Revision* (database), *www.un.org/en/development/desa/population/migration/data/estimates2/estimates15.shtml.*

StatLink http://dx.doi.org/10.1787/888933470120

Remittances sent home by emigrants constitute an important source of income for many households in Cambodia. They have the potential to improve the well-being of migrant households and spur economic and social development. In 2015, the inflow of remittances to Cambodia reached USD 542 million, constituting 3% of national income (World Bank, 2016). The volumes and modes of sending remittances depend on multiple factors, including the characteristics of the migrants and the sending and receiving costs. A comparison of the ten IPPMD partner countries shows that remittance flows to Cambodia are subject to transaction costs of 13% of the remittance value, the highest costs in the sample (Figure 1.3), and considerably higher than the 3% target of the Addis Ababa Action Agenda (UN, 2015).

Figure 1.3. **Remittance transfer costs to Cambodia far exceed the SDG target**

Costs of remitting USD 200 (% of amount sent)



Note: Data are for the second quarter of 2016, weighted by the share of emigrants in the IPPMD data in each main remittance corridor. Data for Burkina Faso and Côte d'Ivoire are not available. The line represents a cost of 3%, the broad target of the Addis Ababa Action Agenda (UN, 2015). The costs calculations for Cambodia are based on transaction costs in the Thailand-Cambodia remittance corridor.

Source: Authors' own work based on World Bank Remittance Prices Worldwide data, *http://remittanceprices.worldbank.org*.

StatLink *http://dx.doi.org/10.1787/888933470139*

How did the IPPMD project operate in Cambodia?

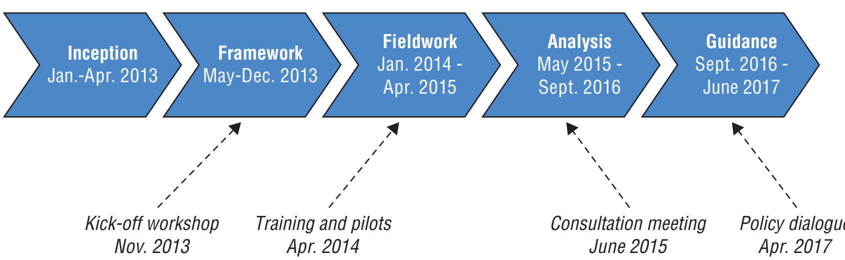
In Cambodia, the IPPMD project team worked with the Ministry of Interior (MOI) as the government focal point. The MOI provided information about country priorities, data and policies and assisted in the organisation of country workshops and bilateral meetings. The IPPMD team also worked with the

Cambodia Development Resource Institute (CDRI) to ensure the smooth running of the project. CDRI helped organise country-level events, contributed to the design of the research strategy in Cambodia, conducted the fieldwork and co-drafted the country report.

The IPPMD project team organised several local workshops and meetings with support from the Delegation of the European Union to Cambodia. The various stakeholders who participated in these workshops and meetings, and who were interviewed during the missions to Cambodia, also played a role in strengthening the network of the project partners and setting the research priorities in the country.

A kick-off workshop, held in November 2013 in Phnom Penh, launched the project in Cambodia (Figure 1.4). The workshop served as a platform to discuss the focus of the project in the country with national and local policy makers, and representatives of international organisations, employer and employee organisations, civil society organisations and academics. Participants agreed that the project should focus on emigration, not immigration, in Cambodia. Following lively and wide-ranging discussions, the IPPMD project team decided to focus the analysis on four sectors: 1) the labour market; 2) agriculture; 3) education; and 4) investment and financial services.

Figure 1.4. **IPPMD project timeline in Cambodia**



Following a training workshop and pilot tests conducted by the IPPMD project team, the CDRI collected quantitative data from 2 000 households and 100 communities and conducted 28 qualitative stakeholder interviews (Chapter 3). A consultation meeting to present the preliminary findings to relevant stakeholders, including policy makers, academic researchers and civil society organisations, was organised in June 2015. The meeting discussed the various views and interpretations of the preliminary results to feed into further analysis at the country level. The project will conclude with a policy dialogue to share the policy recommendations from the findings and discuss with relevant stakeholders concrete actions to make the most of migration in Cambodia.

What does the report tell us about the links between migration and development?

The findings of this report suggest that the development potential embodied in migration is not being fully exploited in Cambodia. Taking migration into account in a range of various policy areas can allow this potential to be tapped. The report demonstrates the two-way relationship between migration and public policies by analysing how migration affects key sectors – the labour market, agriculture, education, and investment and financial services (Chapter 4) – and how it is influenced by policies in these sectors (Chapter 5).

Labour market policies are doing little to stem emigration

Losing labour to emigration can have a significant impact on certain economic sectors, especially as migrants are often in the most productive years of their lives. More than 80% of the current emigrants in the data collected on Cambodia are between the ages of 15 and 34. Agriculture is clearly losing more labour to emigration than other sectors such as construction, education and health. This theme was highlighted in the stakeholder interviews, too. The reduced labour supply has led to a shortage of Cambodian agricultural workers, particularly on rice farms and during the harvest seasons.

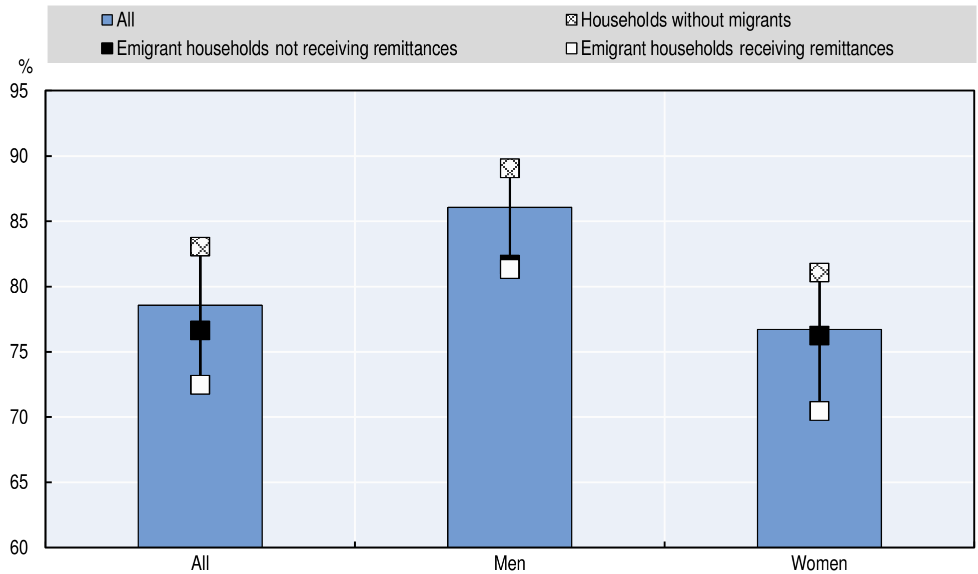
Migration changes the labour dynamics within households, too. Households with emigrants tend to have a lower share of working members than households without emigrants; this effect is strongest in agricultural households. This suggests that emigrants' labour is not being replaced during their absence. Receiving remittances also negatively affects households' labour force participation. Women, in particular, are less likely to work when their households receive remittances (Figure 1.5).

What is the influence of labour market policies on migration? The IPPMD research finds that government employment agencies tend to curb emigration by providing people with better information on the Cambodian labour market. However, the share of people in the sample finding work through these agencies is low – at 4%.

Technical and vocational education and training (TVET) are seen in Cambodia as key tools to improve skills, and are highlighted in the 2015-2025 National Employment Policy. The IPPMD survey finds, however, that only 5% of the surveyed labour force had participated in a vocational training programme – mainly on agricultural themes. While in some countries in the IPPMD study, vocational training programmes appear to be helping would-be migrants be more employable overseas, the Cambodia results show no evidence of links between vocational training programmes and plans to emigrate.

Figure 1.5. **Households receiving remittances have fewer working members**

Share of household members aged 15-64 who are working



Note: The sample excludes households with return migrants only.

Source: Authors' own work based on IPPMD data.

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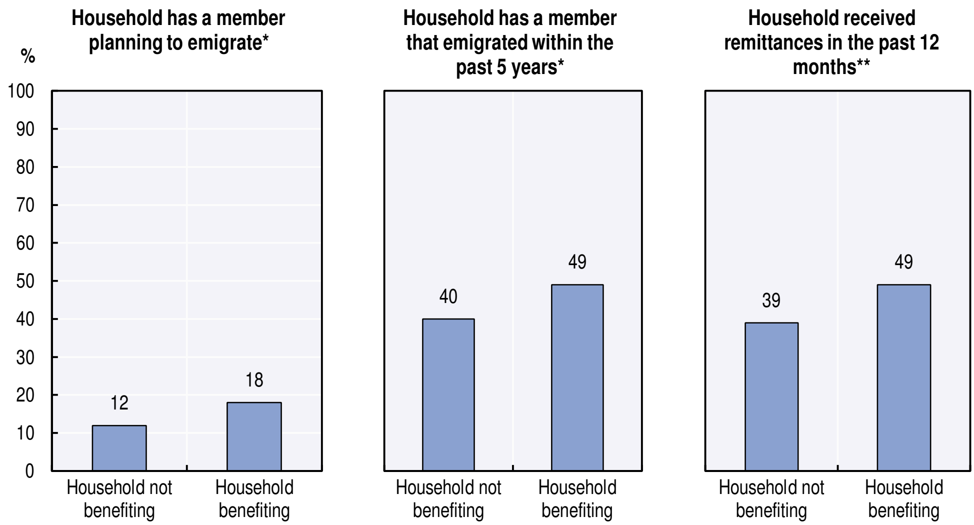
On the other hand, public employment programmes (PEPs) – e.g food-for-work and cash-for-work schemes – seem to have a link with higher emigration. The average share of households with emigrants is higher in communities which offered PEPs than in those that did not. The increased income received through PEPs may have financed emigration by household members.

Agricultural subsidies influence emigration

As seen above, emigration from rural areas can create labour shortages in Cambodia's agricultural sector. The IPPMD analysis also finds that agricultural policies may in fact be encouraging emigration by members of farming households. Households in the IPPMD sample benefiting from agricultural subsidies are more likely to have a member plan to emigrate or have an emigrant member (Figure 1.6). This suggests that agricultural subsidies are enabling emigration by providing enough additional income to cover the costs of emigration. The results also show that households receiving agricultural subsidies were more likely to receive remittances than those not benefiting. By providing households with the means to produce and invest in their land through, for example, quality seeds, subsidies may be providing the incentive for emigrants to send remittances to capitalise on this investment. However, by analysing the data deeper, it is found that agricultural subsidies influence emigration, which in turn leads to remittances. As households receiving agricultural subsidies are more likely to have emigrants, they are also more likely to be receiving remittances from these emigrants.

Figure 1.6. **Agricultural subsidies increase emigration, but also increase remittances**
Share of households benefiting from an agricultural subsidy (%), by migration outcome



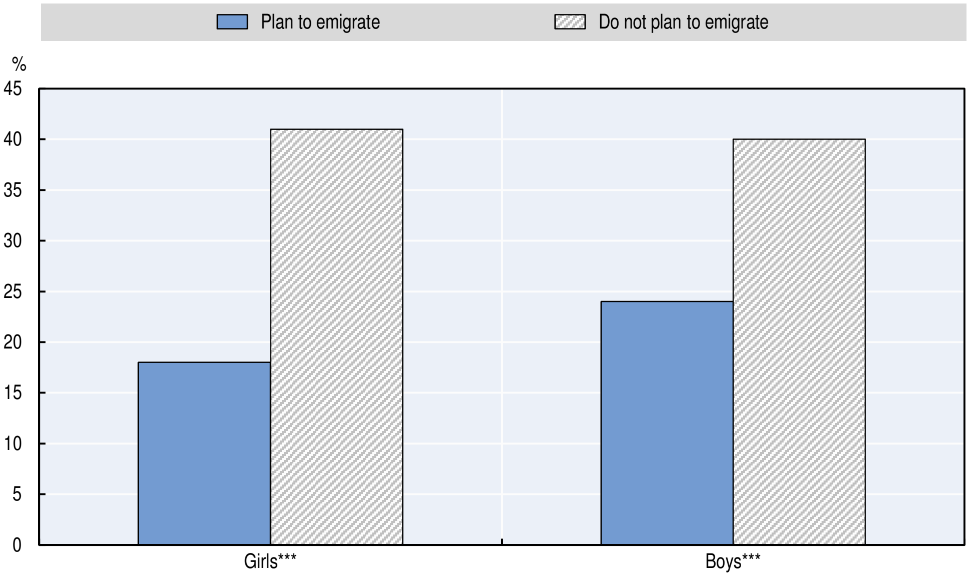
Note: Results that are statistically significant are indicated as follows: ***: 99%, **: 95%, *: 90%. Only members planning to emigrate within the next 12 months are considered in the left-most panel.
Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933470156

Returns to education are lower than the benefits of emigrating

The IPPMD results for Cambodia suggest that remittances allow households to spend more on educating their children. But this is only the case for households without emigrants. Having an emigrant in the household is associated with lower educational expenditures, canceling out the positive effect of remittances. This may reflect that children in emigrant households have to take on more housework or seek work outside the household to replace the emigrant's labour. The prospect of future emigration could also be influencing education attendance rates. As further evidence of this phenomenon, the stated intention to emigrate by young people, both boys and girls, is higher for those that are not attending school (Figure 1.7). This dynamic is likely driven by low returns to education obtained in Cambodia in the labour market both at home and in neighbouring countries.

Figure 1.7. **Young people planning to emigrate are much less likely to attend school**
Share of youth (aged 15-22) attending school, by intentions to emigrate



Note: Results that are statistically significant are indicated as follows: ***: 99%, **: 95%, *: 90%
Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933470160

Education policies and programmes can decrease emigration that is motivated by a desire to pay for schooling. One of the strategic goals of Cambodia's educational policy 2014-2018 is to ensure equity in access to education. Programmes such as scholarships, school meal programmes, and the distribution of textbooks and food aim to increase school enrolment rates, especially by poor and vulnerable children. As these programmes rarely involve financial support (e.g. scholarships) and are of fairly limited coverage, the analysis finds they have little influence on people's decisions to emigrate, however.

Investment is not being boosted by migration

Despite the large amounts of remittances flowing into Cambodia, the research finds that these funds are not being invested productively (other than in education). This is a major missed opportunity for a country that is rebuilding much of its capital stock. Similarly, return migration does not seem to boost investments either: households with a return migrant spend less on agriculture assets and are less likely to run a business than households without a return migrant. Policies to support and enable households to channel remittances towards productive use, and measures that stimulate investments by return migrants, would not only benefit the household, but also the entire country's development.

Do sectoral policies explain this low investment rate for remittances? Financial inclusion – e.g. having a bank account – is key for channelling remittances towards productive investment; it also affects the amount of remittances received and encourages them to be transferred through formal channels. Yet, bank use is very low in Cambodia, meaning that many current and future remittance receivers do not possess a bank account. Furthermore, participation in financial training programmes is very low among migrant and non-migrant households alike, despite non-government and government initiatives to implement them. There is scope to expand the access to bank accounts and financial training programmes among households in order to encourage more remittances to be sent through formal channels and to enable households to make productive investments.

A more coherent policy agenda can unlock the development potential of migration

The report argues that migration, through the dimensions analysed in the IPPMD study – emigration, remittances and return migration – can contribute to Cambodia's economic and social development. However, this development potential does not seem to be being fully realised.

To harness the development impact of migration, the country requires a more coherent policy framework. Cambodia has recently begun to formulate policies on migration – for example, policies on labour migration aim to improve the management of overseas employment services and protect Cambodian workers abroad (MOLVT, 2014). Yet, many other line ministries often overlook the effects migration can have on their areas of responsibility – be it the labour market, agriculture, education, or investment and financial services – as well as the effects of their policies on migration. This report calls for taking into account migration when designing policies for different sectors and national development plans for Cambodia.

The following sections provide policy recommendations for each sector studied in the IPPMD project in Cambodia. Policy recommendations across different sectors and different dimensions of migration stemming from the ten-country study are specified in the IPPMD comparative report (OECD, 2017).

Integrate migration and development into labour market policies

The Cambodian labour market is losing its low-skilled workers to emigration, especially from the agricultural sector, which is facing labour shortages. Better employment opportunities and higher wages in other countries are attracting many people from Cambodia. The IPPMD survey found government employment agencies and vocational training programmes were having limited impact on migration decisions, most probably because of their low take-up ratio and patchy coverage. This suggests the need to:

- Widen the activities of employment agencies to reach out to both current emigrants abroad and migrants who have returned to ensure they have information on and access to formal wage jobs. Building closer connections between the employment agencies and the private sector will be important for achieving this.
- Refine vocational training programmes to better target and match demand with supply. Mapping labour shortages and strengthening co-ordination mechanisms with the private sector are important steps. Training programmes can also be targeted at return migrants, to help them reintegrate into the labour market.

Leverage migration for agricultural development

The Cambodian Government has placed agriculture front and centre in its 2014-2018 National Strategic Development Plan (MOP, 2014). With agriculture continuing to play a substantial role in Cambodia, it is paramount that the country ensures that migration helps, rather than harms, the sector. Yet the IPPMD data show that migration has little positive effect on the sector in Cambodia. Emigration has not changed the use of household agricultural labour in emigrant households. Unlike in other IPPMD partner countries, where emigration from agricultural households is revitalising the rural labour market through the move to hire in farm workers, in Cambodia emigrant households are even less likely than those without emigrants to hire in external farm labour. This highlights a missed opportunity to revitalise the sector's labour market. Migration has also not led to investment in the sector. Remittances and resources brought home by return migrants do not seem to be invested in agricultural assets or in diversifying farming activities. In fact, government policies, particularly those related to agricultural subsidies, seem to be encouraging migration. Recommendations for policy include the following:

- Ensure that agricultural households can replace labour lost to emigration by ensuring better coverage by labour market institutions in rural areas. Without such institutions, the agricultural sector, food security and poverty could all deteriorate further in areas where emigration rates are high.
- Make it easier for remittances to be channelled towards productive investment, by ensuring money transfer operators are present and affordable in rural areas, providing households with sufficient training in investment and financial skills and putting in place adequate infrastructure that make it attractive to invest in rural areas. Bottlenecks that limit investments in the agricultural sector result in a lost opportunity to harness the potential of remittances and return migration for development in the sector.
- Make agricultural subsidies conditional on subsequent yields rather than providing them in advance. This should avoid stimulating more emigration while also maintaining the link with increased remittances. The analysis of Cambodia's agricultural subsidy programmes suggests that if they are not

contingent on some level of output or outcome, or do not provide a non-transferable asset, such as land, they may help spur more emigration. This may run counter to the objectives of the programme if its aims are to keep farmers in the country and in the sector.

Enhance the links between migration and investment in education

The IPPMD findings point to several important linkages between migration and education in Cambodia. Remittance-receiving households spend more on education than households not receiving remittances, which indicates that remittances spur investments in human capital. At the same time, the results also show that secondary education drop-out rates are highest among boys in rural emigrant households. This may partly be driven by aspirations to emigrate to take-up low skilled jobs abroad, which in turn lowers the incentives to enrol in higher education. The positive effect of remittances on educational investments should be met with investments in education infrastructure to ensure access and quality. It is also important to ensure that young people, particularly in rural areas with high emigration rates, have the means and incentives to complete the full mandatory cycle of national education.

The type of education programmes analysed in this study does not seem to have much effect on household migration decisions. The results showed a positive association between having benefited from an education policy and receiving remittances, but such policies do not seem to affect emigration decisions. One potential explanation behind the weak link is that the programmes are highly based on in-kind support and of fairly limited coverage. Recommendations for policy include the following:

- Increase investments in education infrastructure to ensure quality and access to meet the increasing demand for education driven by remittances.
- Expand cash and in-kind distribution programmes in areas with high emigration rates to make sure that young people have the means to complete secondary education.

Strengthen the links between migration, investment, financial services and development

The IPPMD findings show an insignificant or sometimes even negative relationship between remittances, return migration and investments. Remittances are not associated – either positively or negatively – with business or real estate ownership. In a context in which migration is largely a livelihood coping strategy, remittances are predominantly used for buying food, health care and repaying debts; they may not be large enough to be used for productive investment. Receiving remittances is also not associated with investment in other productive assets, such as non-agricultural land or real estate. Return migration is found to be negatively associated with business ownership.

On the other hand, it does seem as if owning a bank account has positive effects on remittance patterns. As well as being linked to greater amounts of remittances, having a bank account reduces the transfer of remittances through informal channels. Yet, bank use is very low in Cambodia, and many current and future remittance receivers lack access to formal bank accounts. Policies to increase access to bank accounts could hence stimulate the sending of remittances and channel remittances into formal financial institutions. This suggests the need to:

- Promote entrepreneurship through the different phases of developing, starting and managing a business to help return migrants and remittance-receiving households to overcome investment barriers and stimulate more productive remittance investments.
- Implement a national financial education programme to enhance the financial literacy of Cambodians in general and migrants and their families in particular to encourage more remittances to be channelled towards productive investments.
- Reduce the number of Cambodians who are unbanked by expanding the presence of financial institutions and deliver financial services beyond more developed and urbanised areas to stimulate more formally sent remittances.

Roadmap of the report

The next chapter discusses how migration has evolved in Cambodia and reviews the existing research on the links between migration and development. It also briefly draws current policy context and institutional frameworks related to migration. Chapter 3 explains the implementation of fieldwork and the analytical approaches used for the empirical research. It also illustrates broad findings of the IPPMD survey on emigration, remittances and return migration patterns. Chapter 4 discusses how the three dimensions of migration affect four key sectors in Cambodia: the labour market, agriculture, education, and investment and financial services. How the policies in these sectors can influence migration outcomes are explored in Chapter 5.

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Chapter 2

Cambodia's migration landscape

Migration has been a major agent in Cambodia's recent demographic and labour market change. Migration is not a new phenomenon, but it is becoming more dynamic, diverse and complex. As well as witnessing a marked increase in the number of emigrants, Cambodia is benefitting from increasing remittances from migration. This chapter gives a brief overview of migration in Cambodia: its drivers and impact, who the migrants are and where they have gone, and what the existing literature tells us about the impact of migration on those left behind. Finally, it lays out Cambodia's policy and institutional framework governing migration.

Cambodia has made significant economic progress since peace was established in the early 1990s. The institutional framework for a market economy has been set up, private investment – both domestic and foreign – has expanded, and the country has become more integrated within Southeast Asia. Successful transformation of Cambodia's economic system has fostered strong economic growth, averaging 7% between 1994 and 2015. It has also transformed itself from a primarily agrarian economy to one based on a more balanced mix of agriculture, industry and services, and lifted per capita income from USD 248 in 1994 to USD 1 159 in 2015.

Despite such impressive achievements, a number of challenges remain – especially in the context of the country's new growth strategy. The economic structure remains narrowly-based and the industrial sector is dominated by the labour-intensive, low value-added production of garments and footwear. The quality of Cambodia's human capital, measured by the Human Development Index, is one of the lowest in the Association of Southeast Asian Nations (ASEAN) region (HDI, 2015). The labour market is still dominated by poorly educated and low skilled workers; there is a serious lack of semi-skilled and skilled workers to meet changing labour market needs (CDRI, 2013). Poverty and rising inequality remain serious concerns in Cambodia, despite recent declines in the poverty headcount. Another challenge facing Cambodia is the uneven quality of its public institutions (CDRI, 2013). In the World Bank's Country Policy and Institutional Assessment (CPIA),[1] Cambodia scored lowest for transparency, accountability, and corruption in the public sector rating among the series in 2015.

This rapid development has been accompanied by the increasing outflow of a productive workforce to neighbouring countries. Many rural households have made a living out of migration (CDRI, 2009; FitzGerald and Sovannarith, 2007; IOM, 2010; Hing and Sry, forthcoming). Migration has helped households improve their housing conditions, increase the amount and quality of food they consume, access education, reduce poverty and has acted as a safety net when facing income shocks (Maltoni, 2006; CDRI, 2009; Tong, 2012; Roth et al., 2014). Migration has therefore been a major agent in Cambodia's demographic and labour market change.

A key challenge for Cambodia is how to better manage and leverage migration for development. This chapter describes Cambodia's migration landscape, setting the scene for the chapters and analysis which follow. It outlines current trends in migration, and reviews what the existing research tells us about the key issues linked to migration in the country. It also reviews the role of migration in national development policies, the status of migration-related policies and the institutional framework for managing migration.

A brief overview of migration and remittance trends in Cambodia

Migration is not a new phenomenon, but it is becoming more dynamic, diverse and complex. As well as witnessing a marked increase in the number of emigrants – especially through the official emigration channels – Cambodia is benefitting from increasing remittances from migration. The following section looks at the trends and patterns of migration and remittance inflow.

Migration is a growing phenomenon

In 2015, Cambodia's working age population (15-64) was estimated at 10 million or 64% of the total population; 40% of the total population was in the age range of 15 to 34 (UN DESA, 2015). This demographic trend suggests that the country has a large number of young people entering the labour market. While the majority of them work in the country, more and more Cambodians are emigrating to find jobs abroad, driven by considerable wage differences and limited employment opportunities in the domestic labour market. There were an estimated 1.19 million Cambodian emigrants in 2015, around 7.6% of Cambodia's total population (Table 2.1). This marks an increase of 160% from 2000. Thailand is the most common destination country, receiving 68% of Cambodia's emigrants.

Table 2.1. **Migration is a growing phenomenon in Cambodia**

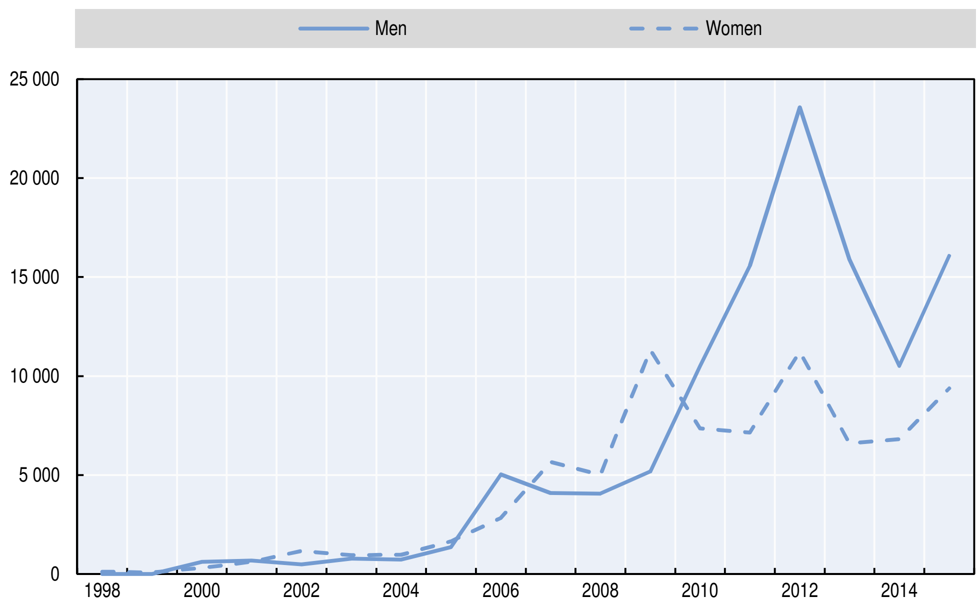
	2000	2015
Total population (in thousands)	12 198	15 578
Stock of emigrants	454 941	1 187 142
% of emigrants to total population	3.7%	7.6%
Destination countries (%)		
Thailand	34%	68%
USA	30%	14%
France	16%	5%
Australia	5%	3%
South Korea	0%	3%
Canada	4%	2%
Bangladesh	3%	2%
Malaysia	1%	1%

Source: UN DESA (2015), *Trends in International Migrant Stock: The 2015 Revision*, database, *www.un.org/en/development/desa/population/migration/data/estimates2/estimates15.shtml*.

Most Cambodians emigrate through irregular channels (illegal or without authorisation to work). It is estimated that fewer than 10% of Cambodians emigrate through recognised and legal channels (Tunon and Khleang, 2013). The number of regular Cambodian migrants has increased significantly over the last decade, though they still represent a small share of the total migrant population. Between 1998 and 2015, a total of 209 804 Cambodian workers participated in state-sponsored labour migration programmes (Figure 2.1). Of these, 55% went to Thailand, 25% to Malaysia, 22% to South Korea and 1% to Japan.

Figure 2.1. **State-sponsored labour migration programmes continue to be popular, 1998-2015**

Number of Cambodian workers sent abroad, by sex



Source: MOLVT (2015), Statistics on Cambodian Workers Officially Sent to Work Abroad.

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Malaysia was the first country to sign a memorandum of understanding (MoU) with Cambodia, paving the way for Cambodians to work legally in that country. Cambodians began arriving in Malaysia under this programme in 1998. The recruitment process was managed by employment recruitment agencies licensed by the Ministry of Labour and Vocational Training (MOLVT). Between 1998 and 2015, Cambodia sent a total of 52 265 workers to Malaysia, 76% of whom were women (employed as domestic workers) and 24% were men (working in construction and manufacturing; Table 2.2). Following a series of reports of abuse and exploitation, however, the Cambodian Government banned sending domestic workers to Malaysia in October 2011. A new MoU between the two countries is currently being considered in order to increase the protection of migrant workers.

Thailand has accepted legal Cambodian migrant workers following an MoU signed in May 2003. Legal Cambodian workers only started to arrive in 2006, however, when Cambodian Inter-Ministerial Working Group conducted a nationality check of irregular Cambodian migrant workers in Thailand and issued them with identity certificates. Between 2006 and 2015, Cambodia officially sent a total of 115 420 migrant workers to Thailand, the majority of whom were men employed in manufacturing and services.

South Korea has allowed Cambodian nationals to work in the country since 2003 through an industrial trainee scheme. More recently it has also created an employment permit system via the Act on Foreign Worker Employment. The placement of migrant workers in South Korea is done by the Cambodia's Manpower Training and Overseas Sending Board, a public agency for recruiting, training, sending and managing Cambodian workers overseas, and created by Sub-decree 70[2] in 2006. As of 2015, there were 43 920 Cambodian migrant workers employed in South Korea, mostly men working in manufacturing (65%), agriculture (34%) and fisheries (1%).

Table 2.2. **Thailand, Malaysia and South Korea host most of Cambodia's official migrant workers**

	Thailand (2006-2015)	Malaysia (1998-2015)	South Korea (2003-2015)
Total number of migrants	115 420	52 265	45 351
Female migrants	43 714	37 369	8 208
Male migrants	71 706	14 896	37 143

Source: MOLVT (2015)

Most Cambodian migrants choose irregular routes because they are less costly and complicated. The Cambodia Development Resource Institute (CDRI) has compared the costs and time involved in legal and irregular migration. It found that the former costs migrants around USD 700 (to Thailand) and takes three to six months to complete whole migration process, compared to USD 100 and a few days for irregular migration (CDRI, 2009). For seasonal migrants in particular, such channels are more flexible as they often have no formal employment contract and are free to change employers or return home as they wish. Their migration is usually helped by pioneer migrants or a broker (known locally as *me kchal*). The main destination for irregular migrants is Thailand. In 2009 there were an estimated 120 000 irregular Cambodian migrants in Thailand (Paitoonpong and Chalamwong, 2012), mostly engaged in agriculture and construction (Table 2.3). This is probably a large underestimation, however, given that in June 2014 more than 250 000 irregular Cambodian emigrants returned home prompted by fear of arrest by Thai authorities as a result of a crackdown.

Table 2.3. **Irregular Cambodian migrants in Thailand work in a range of sectors, 2009**

Industry	People	%
Fisheries	14 969	12.0
Fisheries-related	6 020	4.8
Farming and livestock	24 085	19.3
Farming and livestock-related	7 077	5.7
Construction	32 465	26.0
Mining/quarrying	61	0.1
Wholesale and retail	4 778	3.8
Food and beverage (salespersons)	4 483	3.6
Housemaids	6 578	5.3
Others	24 245	19.4
Total	124 761	100

Source: Paitoonpong, S. and Y. Chalamwong (2012), *Managing International Labor Migration in ASEAN: A Case of Thailand, http://tdri.or.th/wp-content/uploads/2013/07/h117.pdf*

In 2011, with financial support from the United Nations Population Fund, the National Institute of Statistics launched the Cambodia Rural Urban Migration Project (CRUMP) with the primary objective of collecting data on the characteristics of migrants and to investigate the linkages between migration and the welfare of individuals, families and communities. Descriptive data from the CRUMP show that the gender distribution of Cambodian international migrants is fairly even, at 54% men versus 46% women (MOP, 2012). The majority of migrants are young, on average 25 years old. About 8% of migrants are children under 18, 48% are between 18 and 24, 32% are between 25 and 34 and 12% are over 34 years of age (Table 2.4). The majority of Cambodian migrants have a low level of formal education, though male migrants tend to be more educated than women. The data also suggest that the main reason for migration is to seek employment. Most adult migrants seek advice from their parents in making the decision to migrate, while some took the decision themselves.

Remittances are growing in volume

From a macroeconomic perspective, remittances are a good source of foreign exchange for Cambodia's economy. Remittances from Cambodian migrants increased in volume, steadily between 2000 and 2008, from USD 121 million to USD 188 million or 3% of GDP (Figure 2.2). They decreased slightly over 2009 but rose again to reach a record high of USD 542 million in 2015. In relation to GDP, the share of remittances is rapidly increasing since 2014 after having had a decreasing trend for a decade.

About 70% of Cambodian migrants send money back home. The amount varies according to the destination country and type of work. Migrant workers in South Korea, for example, send on average USD 623 a year, compared to USD 306 for those working in Malaysia.[4] Housemaids in Thailand send home an average of USD 334 a year, compared to USD 322 for those working in manufacturing and USD 265 for those working in the construction sector (Chan, 2009). The amount of remittances sent back home also differs according to the length of stay in the destination country. The longer migrants stay, the more remittances they send or bring home. Workers near the border brought back between USD 30 and USD 84 each time they returned home, while those who stayed longer remitted USD 150 to USD 180 each time (CDRI, 2009). In the latest survey by the Cambodia Development Resource Institute (of 500 migrant households), seasonal migrants accounted for 5% of Cambodia's total migrant population (CDRI, 2009). On average, seasonal migrants go to work in Thailand twice a year, earning about USD 140 a month.

Table 2.4. **Most Cambodian emigrants are young and low-skilled**

Demographic characteristics of migrant workers, 2011 (%)

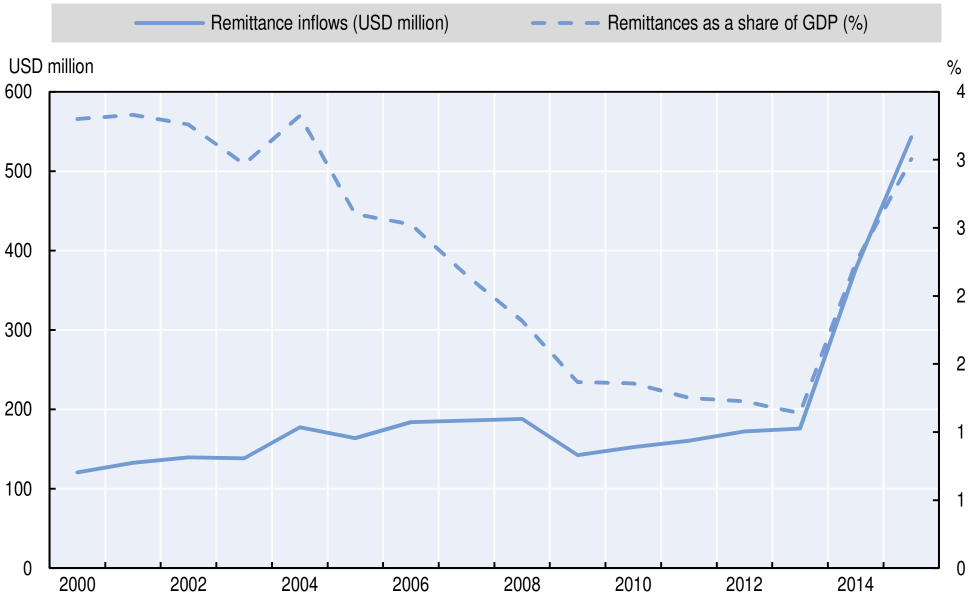
	Male	Female	Total
Gender	**53.6**	**46.4**	**100**
Age (mean)	**25.7**	**25.2**	**25.4**
Under 18	6.3	9.5	7.7
18 to 24	47.8	48.2	47.9
25 to 34	33	30.4	31.7
35+	13	11.9	12.4
Education			
None	7.3	11.3	9.15
Primary	50.2	56.9	53.3
Secondary	39.7	30.1	35.3
Higher	2.8	1.6	2.2
Reasons for migration			
Work-related	97.6	91.8	94.9
Education	1.5	1.2	1.4
Marriage	0.6	6.3	3.2
Other	0.3	0.7	0.5
Decision to migrate			
Decided alone	20.9	20.7	20.8
Encouraged by parents	70.9	72.7	71.7
Encouraged by others	8.1	6.6	7.4

Source: MOP (2012)[3]

There are a few ways for Cambodian migrant workers to send money home. The most popular channel for those working in Thailand is through a money transfer operator who conducts the whole process over the telephone. The service charge is around 4 to 5% of the sum transferred. Those who work along the border send money via their relatives and friends (CDRI, 2009). Around 75% of migrants working in Malaysia send remittances through middlemen who travel directly from Malaysia to Cambodia. These informal methods of sending money home are better established than the use of banks.

Figure 2.2. **Remittances to Cambodia are growing rapidly in volume, 2000-2015**

Total remittances (million USD) and share of remittances as a share of GDP (%)



Source: World Bank (2016), World Development Indicators, *http://data.worldbank.org/data-catalog/world-development-indicators*.

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What are the key issues and knowledge gaps?

The research on Cambodian migration is spread thinly over a range of topics and methodologies. Most studies fall into three broad themes: the determinants of migration; challenges in the migration process; and the social and economic impacts of migration.

Higher wages are a key pull factor for migrants

Migration in Cambodia is largely a rural phenomenon. Several studies have attributed migration to push factors which include poverty, lack of employment and alternative sources of income, landlessness, debt and natural disasters (Maltoni, 2006; Chan, 2009; IOM, 2010). Pull factors such as wage differentials also play a role: there is a substantial wage gap between Cambodia and the migrant destination countries. The monthly minimum wage in Cambodia is USD 140, compared to nearly USD 300 in seven Thai provinces, and approximately USD 790 in Korea (Tunon and Khleang, 2013). Cambodia's monthly minimum wage is higher than in Lao PDR (USD 111) and Myanmar (USD 67), which explains why these are less attractive destination countries. In 2014 Cambodia's per capita income (measured as GDP per capita) was five times lower than Thailand's and 11 times lower than Malaysia's (World Bank, 2016).

Another pull factor comes from social networks – the relationships that connect migrants, former migrants, and non-migrants in origin and destination areas through ties of kinship, friendship and shared community origin (Massey et al., 1993). A majority of Cambodian migrants received help from relatives, friends, villagers or brokers for their initial migration journey; while some pioneer migrants who have good connections with employers are also involved in the migration business (Chan, 2009; IOM, 2010). The CDRI's latest survey finds that about half of migrants went to work in Thailand with the help of a broker, 29% with the help of relatives, 4% via friends, and 3% via recruitment agencies (Hing and Sry forthcoming).

Cambodian migrant workers are vulnerable to abuse

Several studies argue that Cambodian migrant workers, both regular and irregular, face multi-faceted problems at several stages of the migration process. Common problems during recruitment include the excessive extraction of payment for migration, confiscation of passports, and insufficient or false provision of information about work conditions (Lee, 2007; Neone, 2012; UNIAP, 2011). The most common abuses in the workplace include physical assault; forced labour; detention in the receiving country without salary or a reduced salary; unpaid overtime or overwork; deprivation of health care and food; and beating, torture and rape (ADHOC, 2012; Lee, 2007; Naro, 2009).

Many studies point to the lack of an effective regulatory and institutional framework for migration. The current policy and legislative framework for regulating labour migration and management in Cambodia is outdated and contains loopholes that are exploited by opportunistic recruiters and brokers (Lee, 2007). The legal framework in Cambodia is struggling to keep up with the rapid evolution of labour migration trends, leaving thousands of migrant workers without the critical protections that robust monitoring and regulation should provide (TAF, 2011). As such, people who engage in migrant-sending/facilitating business are increasingly taking advantage of the growing space in which irregular migration can be pursued with little or no risk.

The impacts of migration on households are mixed

The research on Cambodian emigration mostly uses small-scale surveys and perception questions to measure the impact of migration on household livelihoods. Only a few studies – e.g. Tong (2012), Roth et al. (2014) and Hing, Lun and Phann (2014) – analyse national survey data using econometric techniques. Most of the studies conclude that migration helps improve livelihoods in Cambodia. The most significant impact of remittances is found to be an increase in the amount and types (quality) of food consumed in the household (ADB, 2005). This includes greater food security throughout the year. Remittances are also used to satisfy basic needs or to repay debt (Maltoni, 2006). The overall economic benefits for migrants and their families outweighed the costs (CDRI, 2009). The majority of migrants manage to earn money and send remittances home, although those who failed are in serious debt as a consequence. In several migration households and communities, migration was perceived as a critical channel for improving well-being (FitzGerald and Sovannarith, 2007).

Empirical research provides specific indications of the impacts. Using the Cambodian Socio-Economic Survey (CSES) 2007,[5] Tong (2012) found that international remittances account for 20% of households' total income and help reduce poverty by 7.35%. The study, however, shows that remittances have little impact on income inequality as measured by the Gini coefficient. In other words, while remittances increase household income they do not do much to reduce the income gap. The findings of Roth et al. (2014), who used propensity score matching in impact estimation using CSES 2009, were more or less consistent with those of Tong (2012). Their findings suggest that international remittances reduced the headcount poverty rate by 7% points. Emigration also helped the depth and severity of poverty. However, they found that emigration generated a "dependency effect" by reducing the weekly hours worked by employed adults by 5-9%. Hing and Sry (forthcoming) found that migration reduced poverty by increasing ownership of durable goods and quality accommodation. The gender of the migrant and duration of migration are significant factors in explaining migrant households' varying ability to reduce poverty.

A recent empirical study of the impact of migration on the well-being of children left behind focuses on three different sets of outcomes: education, child labour and health (Hing, Lun and Phann, 2014). Based on CSES 2009, the study employs instrumental variable regression to estimate the coefficients, taking village-level migration networks as an instrument. Regression results found that:

- Migration has a significant negative effect on school attendance. Children in migrant families are more likely to drop out of school. The main reasons include: children have no aspiration to study, they must contribute to household chores, and they must contribute to household income. The magnitude of the estimated effect is worse for girls: 73.8% of household heads would take female children out of school if needed. This reflects customary thinking, as nearly half of household heads still believe girls are better suited to household chores than attending school and 20.3% said it is risky for girls to go far from home. Only 20.4% see girls as more in demand by the labour market.
- Migration has a positive relationship with educational attainment, though its causal effect is not statistically significant.
- Children in migrant households have a 27% higher probability of participating in economic activities than those in non-migrant households.
- Migration has no significant impact on the vaccination of children, but it does affect children's health, evidenced by an increasing number of injuries and illnesses as well as malnutrition among migration households.

- Migration is an important, but not the only, factor affecting children's well-being. Families' socio-economic status, such as household size, household labour structure and composition, education level of household head and other household members, residential area and wealth status, also influence children's well-being.

This review of literature on migration in Cambodia suggests that most research has focused on the causes, issues and impacts of migration. However, less has been done to understand the relationship between migration and other sectors, such as the labour market, agriculture, education and investment. These are key research gaps which this report aims to fill.

What role does migration play in national development strategies?

Despite its increasing social and economic importance, international migration has yet to be integrated into national development plans. Past national development plans barely mention migration. With the increasing economic opportunities and risks associated with migration, however, there has recently been a notable shift in development policy focus. In July 2013, the Royal Government of Cambodia (RGC) issued a guideline on the management of migration requiring the Ministry of Labour and Vocational Training (MOLVT) to simplify the procedures required to emigrate, reduce recruitment fees, and improve monitoring of recruitment agencies (RGC 2013). It also requires that relevant ministries such as the Ministry of Foreign Affairs and International Cooperation (MFAIC), the Ministry of Interior (MOI) and the Ministry of Women's Affairs (MOWA) enhance co-ordination and facilitation of all migration-related matters.

Migration is only now appearing in national development strategies

The National Strategic Development Plan 2014-2018 incorporates international migration to some extent. The following migration-related challenges and measures are outlined in the employment and labour market section:

- Improving institutional capacity and co-ordination for migration-related policy implementation; improving procedures for the management of Cambodian workers overseas, both legally and illegally.
- Enhancing the protection of rights, health and safety of Cambodian overseas workers; establishing a labour attaché in Cambodian embassies.
- Developing a National Employment Policy with three strategic goals: (1) to increase decent and productive employment opportunities; (2) to enhance skills and human resources development; and (3) to strengthen labour market governance. One of the strategies to achieve the third goal is to oversee and protect migrant workers in obtaining decent employment and skill recognition.

At the sectoral policy level, the MOLVT's Strategic Plans 2010-2013 and 2014-2018 view migration as an employment opportunity for the growing domestic labour force. The latest plan strives to improve the management of overseas employment services; create an employment permit system for Cambodian migrants; and protect migrant workers as a means to "promote" employment abroad.

There are few policies governing migration

The cross-border movement of labour in Cambodia has taken place for many years in the absence of any concrete migration policy. Sub-decree 57 on the Sending of Khmer Workers to Work Abroad, dated 20 July 1995, is the only primary law regulating labour migration from Cambodia. Aiming at formalising the process of cross-border labour emigration, the sub-decree gave the then Ministry of Social Affairs, Labour, Vocational Training and Youth Rehabilitation[6] the competence to permit any company wishing to send Khmer labourers to work overseas through a ministerial order known as "*Prakas*".

It was not until 2010 that the first policy on labour migration for Cambodia was formulated (MOLVT, 2010) in response to the complications and dynamics of migration issues. The policy, which was prepared through a series of consultative discussions involving the relevant government agencies, workers' and employers' organisations, international agencies, non-government and civil society organisations, covers only emigrants abroad and focuses on three strategic areas: (1) improved governance of labour migration; (2) protection and empowerment of migrant workers; and (3) harnessing the potential of labour migration for Cambodia's economic development. Key measures proposed in the policy are:

- to formulate a comprehensive legal and institutional framework governing labour migration
- to mainstream the labour migration agenda within the national development agenda
- to review the effectiveness and costs of the legal labour-migration process
- to disseminate information regarding the labour migration process
- to enter into bilateral co-operation with other major labour-receiving countries to create a wider and more diversified foreign labour market for Cambodian migrant workers; and to negotiate a standard employment contract with labour-receiving countries
- to extend protection of migrant workers by posting labour attachés in major destination countries
- to establish a welfare fund or special insurance scheme for migrant workers to cope with contingencies

- to promote access to financial services by migrant workers and their families and to support the productive investment /use of remittances
- to set up systems for registration, reintegration, and skills accreditation for returning migrant workers.

Assessment of the implementation of this specific policy shows that Cambodia has made slow progress in migration management. Of the 79 activities listed in the policy, 21.5% are assessed as being on target, 34% are progressing, and 44.5% are not on target (MOLVT, 2014). Of the activities that are on target and progressing, most are undertaken with the support of donor partners and NGOs. The activities concerning harnessing labour migration for development are much further behind, with around 62% of the activities identified as not on target. Uneven policy implementation is in part due to a lack of ownership of the policy outside MOLVT, and the lack of an oversight body for monitoring and evaluation.

The second policy on labour migration for Cambodia was launched in December 2014. The overall policy objective is to protect and empower migrant workers through the complete migration cycle, ensuring that migration is a positive and profitable experience for individual workers, their families and communities. As in the previous policy, the strategic targets are on governance, protection and migration for development. To harness labour migration for development, the policy contains the following action plans:

- mainstream migration into the national social and economic development plan and strategies
- promote the effective use of the diaspora's resources (skills, and financial) for community development
- facilitate the efficient flow of worker remittances, encourage access to financial services by migrant workers, and promote the productive use of remittances for local economic development
- increase work with financial institutions to scale up remittance facilities to communes with a high migration rate and reduce the cost of remittance transfers
- provide information to migrant workers and their families regarding the management of their finances, including remittances, through standardised pre-departure training
- assist in linking migrant worker families with financial institutions to obtain loans for starting up local businesses
- promote the development of village development funds or village savings groups
- support entrepreneur training for migrant workers and their family members
- establish a skills recognition system to maximise the talents and skills acquired by returned migrant workers

- strengthen employment services in counselling, skill-matching, and job placement for returned migrant workers
- support local investment programmes, provide small-business counselling, and set up financing facilities for returned migrant workers.

What is the institutional framework governing migration?

The MOLVT is the primary body managing labour migration, in association with other relevant line ministries such as MOI, MFAIC and the Council of Ministers. The Department of Employment and Manpower of the General Directorate of Labour is the major office managing the migration of Cambodian workers abroad. Its tasks involve selecting and licensing employment agencies; monitoring and evaluating recruitment agencies; resolving disputes between migrant workers and domestic employment agencies and between migrant workers and their employers; supporting employment agencies in sending workers abroad; and preventing illegal recruitment. The department has five bureaus, responsible for labour inspections, labour disputes, employment and manpower, child labour and occupational health. The Manpower Training and Overseas Sending Board (MTOSB) was added to the structure by Sub-decree 70 in July 2006. It is a public employment agency tasked with recruiting, training, and sending workers to South Korea. It also comprises a special unit within the MOLVT facilitating government-to-government labour migration agreements.

Other ministries have limited and specific engagement. The MOI is responsible for providing passports and preventing illegal recruitment and cross-border human trafficking. The MFAIC is in charge of distributing all relevant documents and regulations, facilitating legal labour migration and managing and resolving disputes between workers and their employers in receiving countries via Cambodian embassies. The Council of Ministers participates in the Inter-ministerial Working Group for Implementation of the MoU with Thailand. There are two inter-ministerial working groups specifically dealing with migration. The group for implementing the MoU with Thailand was created on 10 January 2005 with members from the relevant ministries. Its main tasks are verifying the nationality of illegal Cambodian migrant workers and issuing them with a certificate of identity. The Inter-ministerial Taskforce for Migration was created by *Prakas* 012/07 in January 2007 to develop and implement policy and action plans on labour migration.

Another important institutional mechanism is the Migration Working Group established in 2012 under the Secretariat of the National Committee to Lead the Suppression of Human Trafficking, Smuggling, Labour, and Sexual Exploitation of Women and Children, now called the National Committee for Counter Trafficking (NCCT). The overall purpose of the group is to promote and protect the safety, rights, and interests of migrants in a way that is gender responsive by using a multi- disciplinary and multi-sectoral approach.

MOI chairs this group, and there are number of vice-chairs, including the MOLVT, MOWA and the Ministry of Justice. Some are critical of the performance of the Working Group and they even suggest a change, especially in terms of empowerment and the leading role of MOLVT.

Like many public institutions, the MOLVT has capacity limitations which include lack of staff and resources, weak co-ordination among relevant ministries and across countries, ineffective mechanisms for monitoring and supervising recruitment agencies and mechanisms to settle grievances. There is no easy way for migrant workers to file complaints about abuse or obtain support in cases of violation of labour rights. This makes migrants vulnerable vis-à-vis recruitment agencies and employers. Cambodia does not yet have a system that can administer and manage labour migration effectively. Private agencies are profit-driven, and weak monitoring leaves room for opportunistic agencies to ignore rules and standards. There are numerous cases of private recruitment agencies extracting excessive payments from workers, confiscating workers' passports, not providing a standard employment contract and neglecting the welfare and protection of workers (Lee, 2007).

In addition, policy and institutional frameworks are seen as lacking coherence and efficiency. Even though migration is a cross-cutting issue that falls under the authority of several ministries and institutions, the issue has not received enough attention in sectoral development policy design. Consequently, information exchange, inter-ministerial consultations, and joint implementation of migration policies and programmes are weak and limited. These challenges have been firmly recognised by the policy on labour migration for Cambodia 2014. One of its three strategic targets is to improve migration governance through: strengthening the existing roles of the MOLVT and Provincial Departments of Labour and Vocational Training; reviewing the operational structures of the Inter-Ministerial Taskforce for Migration alongside the National Committee to Counter Human Trafficking labour migration working group; and strengthening the enforcement of migration laws.

Conclusions

The recent progress in mainstreaming migration within certain policy areas is encouraging as it signifies recognition of the social and economic contribution of migration and that migration is linked to a number of policy areas. Despite these positive developments, bringing migration into national and sectoral development plans and setting up a more integrated mechanism to systematically deal with the issue are the real challenges, especially for institutions which lack human and financial resources. Systematic studies to understand thoroughly the relationship between migration and public policies have been scarce and sketchy. This report aims to fill this key research gap.

Notes

1. See *http://data.worldbank.org/data-catalog/CPIA*.
2. The Sub-decree was specifically designed to regulate the sending of workers to the Republic of Korea. It defines the guidelines for the implementation of a public recruitment system, which will coexist with the private agencies. The Manpower Training and Overseas Sending Board (MTOSB) oversees the recruitment, training, and sending of workers to South Korea.
3. The report extracts from comprehensive migration survey involving three sets of questionnaires: one for rural households, one for village chiefs and another for recently arrived migrants in Phnom Penh. Interviews with rural households were conducted in 375 villages with 1 500 non-migrant and 3 000 migrant households. The rural survey of 375 village chiefs sought to understand village characteristics and any related developments. Surveyed provinces were Oddar Meanchey, Pailin, Phnom Penh, Preah Sihanouk, Preah Vihear, Prey Veng, Pursat, Ratanakkiri, Siem Reap, Stung Treng, Svay Rieng and Takeo. The Phnom Penh survey interviewed 1 000. This data set provides rich migration information, ranging from personal characteristics of migrants and migrants' contact and behaviour towards their families to perceived impacts of migration on household livelihoods and village labour markets.
4. Author's calculation based on data from MOP (2012).
5. The CSES 2007 was managed by the National Institute of Statistics during July and September. The survey is nationally representative, consisting of 3 593 households, of which 2 228 are rural.
6. Now the Ministry of Labour and Vocational Training (MLVT).

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Chapter 3

Understanding the methodological framework used in Cambodia

In order to provide an empirical foundation to the analysis of the links between migration and policy, the Interrelations between Public Policies, Migration and Development (IPPMD) project used three evidence-gathering tools: household survey, community survey, and qualitative interviews with representatives of public, international and local organisations. This chapter explains how the sampling for the surveys was designed, as well as the statistical approaches used in the chapters that follow to analyse the links between migration and key policy sectors. The chapter includes a brief overview of the survey data, including differences across regions and between migrant and non-migrant households. It outlines some of the gender differences that emerged among migrants, and the reasons for leaving and returning.

The Interrelations between Public Policies, Migration and Development (IPPMD) project is empirically based. In order to provide evidence-based analysis on the interrelationship between migration and the various sectors under study, the project carried out data collection in Cambodia from April to May 2014. The fieldwork introduced three primary tools developed by the OECD Development Centre: a household survey, a community survey and stakeholder interviews. The generic version of each tool was tailored to the Cambodian context in collaboration with the Cambodian Development Resource Institute (CDRI), which conducted the fieldwork.

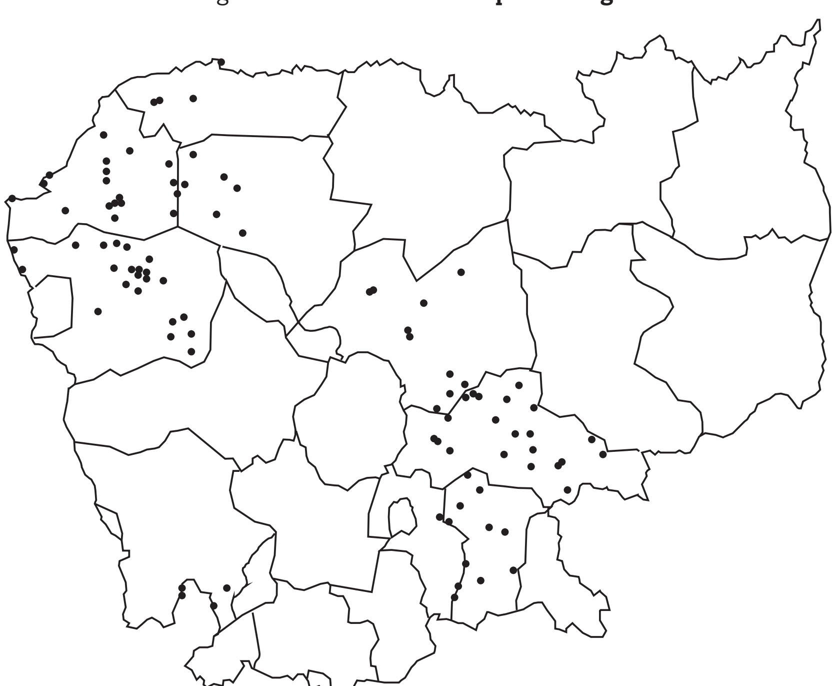
1. The **household survey** involved a questionnaire administered to 2 000 households. The household questionnaire included policy questions to gather information on whether households and individuals benefited from certain policies which may affect their migration patterns and return on investment made through migration. It also gathered information about individual and household characteristics related to various key development sectors such as labour market, agriculture, education, and investment and financial services. Although the survey was not nationally representative, the sample provinces represent top migrant sending provinces (see below), and provided accurate and reliable data on migration. It collected information from both migrant and non-migrant households, providing a comparative basis for analysis.
2. The **community survey** was designed to complement the household survey. It was carried out in each of the 100 villages where the household survey took place. Respondents were district and locality leaders. The questionnaire documented community-level demographic, social and economic information, policies and development programmes.
3. The 28 **stakeholder interviews** were conducted to collect qualitative information on trends, policies, opinions and predictions related to the various aspects of migration in the country. The information enriched and helped interpret the quantitative household and community surveys by including additional details about the specific context in Cambodia. The interviews were conducted with representatives of governmental ministries, public institutions, non-governmental organisations, religious organisations, trade unions, private sector institutions and international organisations.

This chapter describes the sampling process for collecting both quantitative and qualitative data. It also illustrates the analytical approaches used to explore the interrelations between the various dimensions of migration and sectoral public policies. Finally, it presents basic descriptive statistics of the data collected.

How were the communities and households sampled?

A multi-stage stratified cluster sampling was used to select the households and communities to be interviewed. In the first stage, eight provinces were chosen for their high rate of international emigration using the Cambodia Rural Urban Migration Project (CRUMP) database (MoP, 2012). These provinces were Banteay Meanchey, Battambang, Koh Kong, Kompong Cham, Kompong Thom, Oddar Meanchey, Prey Veng and Siem Reap. Migrants from these provinces represent about 75% of all Cambodia's international emigrants. The provinces of Banteay Meanchey, Battambang and Oddar Meanchey in the north west, and Koh Kong in the south west, share a border with Thailand, the largest migrant-receiving country in the region (Figure 3.1). The rate of emigration for these provinces, calculated as the total number of international emigrants over the total population, is 21%, 19%, 5% and 8%, respectively. The province of Siem Reap is in the north region of Cambodia, near the Thai border. The emigration rate for Siem Reap is 13%. Two other selected provinces, Kompong Thom and Kompong Cham, are in the central region and both have an emigration rate of 7%. Most of the emigrants from Kompong Thom are residing in Thailand; while for the province of Kompong Cham the majority of migrants went to Malaysia. The last province, Prey Veng, is in the southeast region and has a migration rate of 5%.

Figure 3.1. **Location of sampled villages**



The second stage involved selecting a total of 100 villages – from both rural and urban areas – across the sampled provinces. Following the National Institute of Statistics definition, urban areas are districts containing provincial headquarter towns, while all the remaining areas are rural. Among villages from which migrants left to work abroad, 81% were rural and 19% were urban villages (NIS, 2009). The same rural/urban split was chosen for the sampling of the IPPMD project, resulting in a sample of 81 rural villages, and 19 villages in an urban setting.

Rural villages were selected from a list of villages included in the CRUMP survey. This survey included a random sample of 151 villages from the 8 selected provinces. From this list, 81 villages were selected based on systematic sampling with a probability proportionate to the number of migrants from the village. This method ensures that all migrants have the same probability of being included, regardless of whether they live in a village with many or few migrants. Urban villages were deliberately sampled because the prevalence of migration in urban villages is unlikely to be high enough for a random sample to capture a sufficiently large number of migrant households. Instead, a list of urban villages was derived from the Cambodian Socio-Economic Survey (CSES) 2009 (NIS, 2009) based on migration rates, from which villages with a high proportion of migration were selected. Figure 3.1 marks the location of the enumeration areas, including rural and urban villages. A summary of the sample strategy can be found in Table 3.A1.1 in Annex 3.A1.

Household survey

The last stage of the sampling design involved selecting households. First, for each village the field team created the sampling frame: two separate lists of households, one for households with, and one for households without migrants (see Box 3.1 for key definitions). The research team prepared these lists through communication with village chiefs. Four villages were replaced, two because the village chief could not be reached or was not willing to participate, and two because the number of households with migrants was too low.

Box 3.1. **Key definitions for the Cambodian household survey**

A **household** consists of one or several persons, irrespective of whether they are related or not, who normally live together in the same housing unit or group of housing units and have common cooking and eating arrangements.

A **household head** is the most respected/responsible member of the household, who provides most of the household needs, makes key decisions and whose authority is recognised by all members of the household.

Box 3.1. **Key definitions for the Cambodian household survey** *(cont.)*

The **main respondent** is the person who is most knowledgeable about the household and its members. He or she may be the head, or any other member (aged 18 or over). The main respondent answers the majority of the modules in the questionnaire, with the exception of the immigrant and return migrant modules which were administered directly to the immigrants and returnees themselves. As it was not possible to interview migrants who were abroad at the time of the survey, questions in the emigrant module were asked of the main respondent.

A **migrant household** is a household with at least one current international emigrant or return migrant (Table 3.1).

A **non-migrant household** is a household without any current international emigrant or return migrant.

An **international emigrant** is an ex-member of the household who has left to live in another country, and has been away for at least three consecutive months without returning.[1]

An **international return migrant** is a current member of the household who had previously been living in another country for at least three consecutive months and who returned to the country.

International remittances are cash or in-kind transfers from international emigrants. In the case of in-kind remittances, the respondent is asked to estimate the value of the goods the household received.

A **remittance-receiving household** is a household that has received international remittances in the past 12 months prior to the survey. Remittances can be sent by former members of the household as well as by migrants who have never been part of the household.

Table 3.1. **Household types, by migration experience**

Non-migrant households	Migrant households
Households without any emigrant or return migrant	Households with one or more emigrants but no return migrant Households with at least one emigrant and one return migrant Households with one or more return migrants but no emigrant

1. Migration surveys often consider individuals to be migrants only after they have been away for either 6 or 12 months. Including shorter migration spells ensures that seasonal migrants are included in the sample (however temporary trips such as holidays are not considered in this definition). The survey also captures migration experiences that date back in time as the definitions do not put any restrictions on the amount of time that has elapsed since emigration, immigration or return migration. However, it is likely that more recent migration experiences are better captured in the survey as emigrants who left long ago are less likely to be reported by the household.

Systematic sampling was then used to select households from each group. The target ratio for migrant and non-migrant households was 50:50. Twenty households were selected from each village, 10 migrant and 10 non-migrant households. In case of a non-response, the household was replaced by a household from a reserve list. The total percentage of non-responses was around 5%. The main reason for not responding was that no household member was available. In these cases, the village chief was asked whether the household head was present in the village. For the majority of the households this was not the case and therefore the households were not revisited but replaced instead. Other reasons for non-response were that available household members were too old, or that the household member present refused to participate.

The household survey took place between 19 April and 17 May 2014, following a week-long training seminar and pilot survey led by the OECD and CDRI. The interviews were conducted in Khmer, using paper questionnaires. A short description of the modules included in the survey is included in Table 3.A1.2 in Annex 3.A1. Overall, 2 000 households were interviewed across the country (Table 3.2). Of these, 999 households had international migrants and 1 001 did not.

Table 3.2. **Share of rural/urban and migrant/non-migrant households in surveyed households**

	Urban	Rural	Total
Migrant households	190	809	999 (50%)
Non-migrant households	190	811	1 001 (50%)
Total	**380 (19%)**	**1 620 (81%)**	**2 000 (100%)**

Source: Authors' own work based on IPPMD data.

Community survey

In each of the 100 villages sampled, a community questionnaire was administered to a local government representative knowledgeable about the community and migration issues. The community surveys took place simultaneously with the household survey. Team leaders conducted the interviews after village chiefs had finished the listing exercise for the household sampling.

The community survey included questions about the share of households that currently have a family member living in another country and their most common country of residence, as well as the most common occupations of those living in the community.

Stakeholder interviews

In order to capture a wide range of information and opinion on the topic of migration and sectoral policies, semi-structured interviews were conducted using a guide developed by the OECD.

The guide was divided into five topics:

1. general awareness of migration
2. actions, programmes and policies directly related to migration
3. main actions, programmes and policies likely to have a link with migration
4. perceptions of migration-related issues
5. coordination with other stakeholders on migration.

Three versions of the discussion guide were developed, targeting representatives of three types of respondents: representatives of 1) state institutions, 2) international organisations and 3) local NGOs and academic institutions. Questions were modified according to whether the institution was working on migration issues directly or indirectly. All versions of the discussion guide were available both in Khmer and in English and were sent to respondents on request in advance of the interviews. The final 28 interviewees consisted of 9 representatives of public institutions, 6 from international organisations, and 13 from local NGOs or academic institutions (Table 3.3).

Table 3.3. **Summary of interviewees for qualitative interviews, by type of organisation**

Type of organisation	Number of interviews
Public institutions	9
International organisations	6
Local NGOs or academic institutions	13
Total	28

The OECD prepared a joint codebook based on preliminary analysis of the data from the ten IPPMD countries which was then used as a conceptual framework. The codebook includes general themes (main themes and subthemes) which are common to all countries taking part in the project, but left room for adding new themes specific to a country. All interview transcripts were coded according to the codebook and analysed. The results were then used in the analytical chapters to make sense of and complement the findings.

How were the data analysed?

Having described the tools used to collect data for the project, this section provides an overview of how the data were analysed. Statistical analysis assesses the statistical significance of an estimated relationship – the likelihood that a relationship between two variables is not random. The analysis for this project involved both statistical tests and regression analysis. Statistical tests, such as t-tests and chi-squared tests, calculate the correlation between two variables without controlling for other factors. A t-test compares the means of a dependent variable for two independent groups. For example, it is used to test if there is a difference between the average number of workers hired by an agricultural household with emigrants and one without. A chi-squared test is applied when investigating the relationship between two categorical variables, such as private school attendance (which only has two categories, yes or no) by the children living in two types of households: those receiving remittances and those not. Statistical tests determine the likelihood that the relationship between two variables is not caused by chance.

In addition, regression analysis is useful to ascertain the quantitative effect of one variable upon another, while controlling for other factors that may also influence the outcome. The household and community surveys included rich information about households, their members, and the communities in which they live. This information was used to create control variables that included in the regression models in order to single out the effect of a variable of interest from other characteristics of the individuals, households and communities that may affect the outcome.

Two basic regression models were used in the analysis: ordinary least square (OLS), and probit models. The choice of which one to use depends on the nature of the outcome variable. OLS regressions are applied when the outcome variable is continuous. Probit models are used when the outcome variable can only take two values, such as owning a business or not.

The analysis of the interrelations between public policies and migration is performed at both household and individual level, depending on the topic and hypothesis investigated. The analysis for each sector is divided into two sections:

- The impact of a **migration dimension** on a **sector-specific outcome**

$$Y_{sector\ specific\ outcome(C)} = \alpha + \beta E_{migration\ dimension(A1)} + \gamma X_{characteristics(D)} + \varepsilon;$$

- The impact of a **sectoral development policy** on a **migration outcome**

$$Y_{migration\ outcome(A2)} = \alpha + \beta E_{sector\ dev.\ policy(B)} + \gamma X_{characteristics(D)} + \varepsilon.$$

The regression analysis rests on four sets of variables:

A) **Migration**, comprising: (1) **migration dimensions** including emigration (sometimes using the proxy of an intention to emigrate in the future), remittances and return migration; and (2) **migration outcomes**, which cover the decision to emigrate, the sending and use of remittances, and the decision and sustainability of return migration.

B) **Sectoral development policies:** a set of variables representing whether an individual or household took part or benefited from a specific public policy or programme in four key sectors: the labour market, agriculture, education, and investment and financial services.

C) **Sector-specific outcomes:** a set of variables measuring outcomes in the project's sectors of interest, such as labour force participation, investment in livestock rearing, school attendance and business ownership.

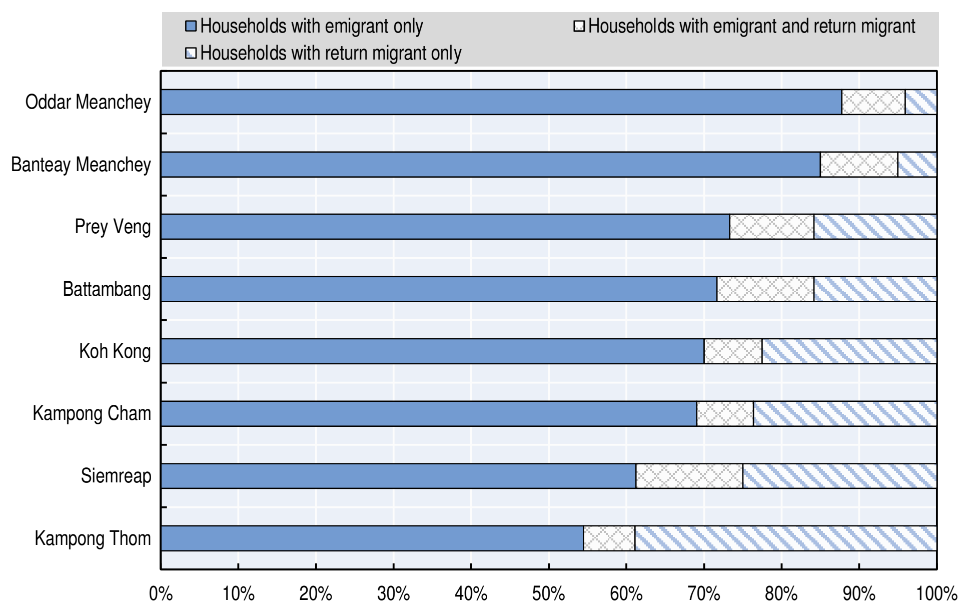
D) **Household and individual-level characteristics:** a set of socio-economic and geographical explanatory variables that tend to influence migration and sector-specific outcomes.

What do the surveys tell us about migration in Cambodia?

The migration dimensions of emigration and return were left to chance when sampling migrant households; therefore their numbers reflect their relative importance. Figure 3.2 shows the prevalence of emigrant and return migrants by province, based on the household data. It shows differences across provinces. The province of Kampong Thom, for instance, has a relatively larger sample of return migrants, whereas their share in Oddar Meanchey is much smaller.

Figure 3.2. **Rates of emigration and return migration vary across provinces**

Share of emigrant and return migrant households among migrant households



Source: Authors' own work based on IPPMD data.

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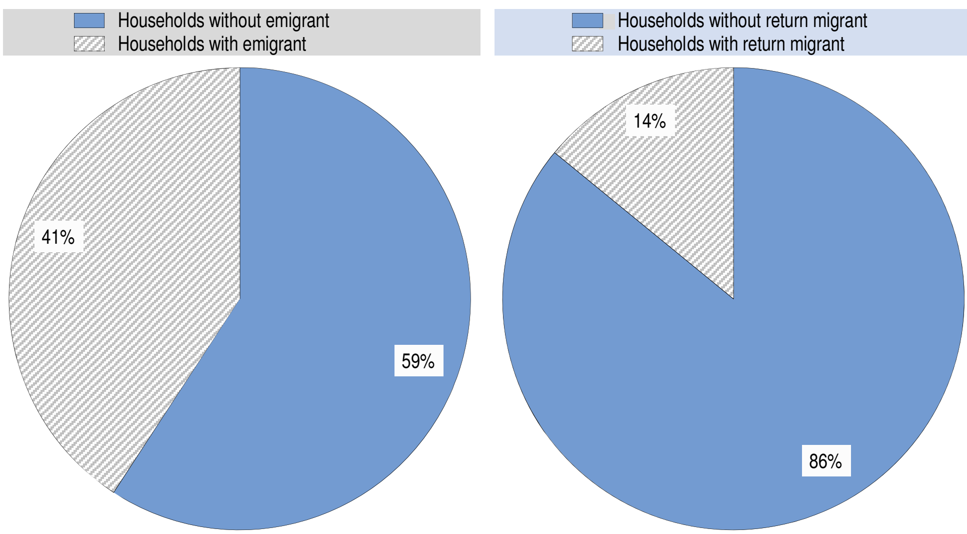
Overall, the 2 000 household surveys collected data on 9 020 individuals, as well as on another 1 483 former household members who had emigrated. A total of 816 households had former members who had emigrated: 41% of all households in the sample (Figure 3.3, left-hand pie chart). Among the individuals currently living in the country, 409 were return migrants, and specific data about their migration experience were also collected. The 282 households with return migrants formed 14% of all households in the sample (Figure 3.3, right-hand pie chart). Ninety-nine households (5% of the sample) have both emigrants (one or more) and return migrants (one or more).

Figure 3.3. **Sampled households were more likely to have an emigrant than a return migrant**

Type of households, by migration experience



Source: Authors' own work based on IPPMD data.

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Table 3.4 shows how household characteristics differ depending on their migration experience. About 81% of all households are in rural areas, and this rural share is reflected across all migrant households except for a slightly lower share of those with return migrants. Households with emigrants have typically fewer members than other households, which is not surprising given that they have lost at least one member. Households with return migrants are the largest households, due to the migrant who has returned but also because they have the highest share of households with children. The share of households with a female household head is highest among households with emigrants, which, at 42%, is more than double the percentage found in households without migrants.

This is not surprising given that 60% of emigrants are men. Among households with return migrants, the percentage of households with a female household head is 32%. Households without migration experience are more likely to have a member who has completed at least lower secondary education.

For the purpose of this project, a household-level wealth indicator was constructed based on questions in the household survey on the number of assets owned by the household. Assets include a range of items, from cell phones to real estate. The wealth indicator was created using principal component analysis. It suggests that households without migration experience tend to be wealthier.

Table 3.4. **Households without migration experience are on average better educated and wealthier than migrant households**

Characteristics of sampled households

	Total sample	Households without migrants	Households with emigrants	Households receiving remittances	Households with returnees
Number of households	2 000	1 001 (50%)	816 (41%)	819 (41%)	282 (14%)
Households in rural area (%)	1 620 (81%)	811 (81%)	667 (81%)	666 (81%)	218 (77%)
Household size	4.5	4.5	4.3	4.4	5.1
Dependency ratio	0.81	0.71	0.94	0.96	0.84
Households with children (0-14 years, %)	74	71	75	77	79
Households with female household head (%)	29	19	42	41	32
Share of households with a member having completed at least lower secondary education (%)	33	40	25	26	30
Wealth indicator	15.0	16.2	14.0	14.5	13.4
Households with member planning to emigrate (%)	21	17	21	22	45

Note: The categories are not mutually exclusive, e.g. a household with both an emigrant and a return migrant is included both as a household with an emigrant, and as a household with a return migrant. The dependency ratio is the number of children and elderly persons over the number of people of working age (15-64). The share of households with a member planning to emigrate is based on a direct question to all adults (15 years or older) whether or not they have plans to live and or work in another country in the future. The wealth indicator is standardised ranging from 0 to 100, with higher scores indicating wealthier households.

Source: Authors' own work based on IPPMD data.

The household survey also asked whether individual household members aged 15 or over planned to emigrate. The data show that plans to emigrate are more prevalent in migrant households, and are highest among households with return migrants (45%; Table 3.4). A large part of this share can be attributed to return migrants themselves, 34% of whom planned to emigrate again within the next 12 months compared to 5% among non-migrants.

Table 3.5 summarises the characteristics of individuals from the sampled households, broken down by whether they are emigrants, return migrants or individuals without migration experience. The non-migrants are the oldest group, with an average age of 40, compared to return migrants (32) and emigrants (27). Women made up 53% of the overall sample. While emigration seems to be a male-dominated phenomenon (60% are men), return migration is more gender-balanced with an equal share of men and women.

Table 3.5. **Emigrants are more likely to be male**

Characteristics of adults from sampled households

	Non-migrants	Return migrants	Emigrants
Number of individuals	5 672	409	1 483
Average age	40	32	27
Share of women (%)	55.3	49.1	39.9
Share that completed at least lower secondary education (%)	17.8	11.8	17.1

Note: Only adults (15+) are included. The group of non-migrants includes individuals in households with and without migrants.

Source: Authors' own work based on IPPMD data.

Among individuals without migration experience, 18% have finished at least lower secondary education. The share is similar for emigrants (17%), while only 12% of returned migrants have completed at least lower secondary education.

Most emigrants choose Thailand as their country of destination

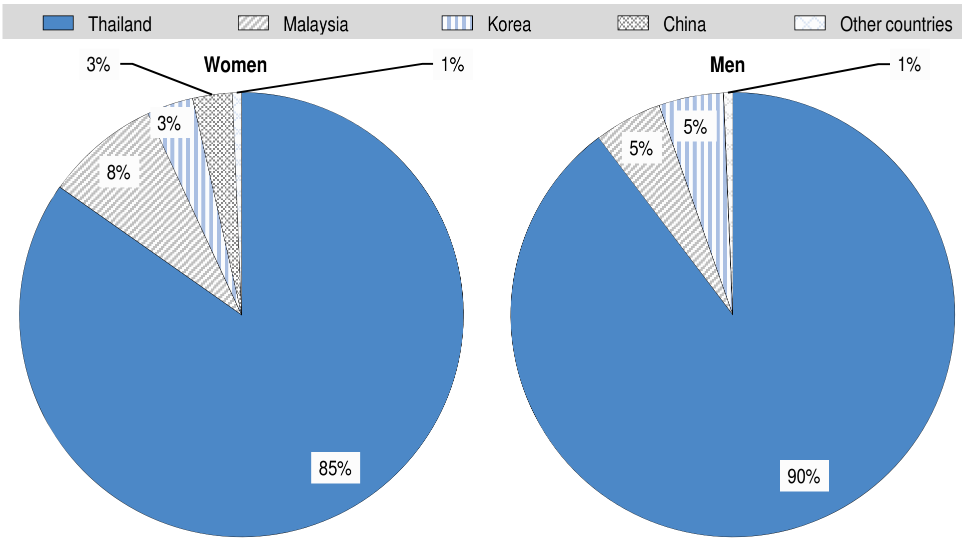
Data collected on emigrants included their current country of residence, the time since they emigrated and the reason they left. Thailand is the main destination country, hosting 88% of the emigrants from the households sampled (Figure 3.4). While women, who account for 40% of the emigrants captured by the IPPMD data, are very similar to men in terms of choice of destination, Malaysia is slightly more prominent as a destination for female emigration, and South Korea for male emigration. Less than 5% migrate to high-income countries.

The main reasons given for emigrating were to help the family in Cambodia, to take a job, to search for work abroad, or because of unemployment (Figure 3.5). Together these four reasons accounted for more than 90% of the responses. The reasons for emigrating are very similar among emigrants from rural and urban households, although a larger share of urban emigrants left to help family members.

About one-third of the sample had left Cambodia less than one year before the survey, 29% between one and two years, 27% between two and five years, and the remaining 10% had left more than five years before the survey (Figure 3.6). Emigration from rural areas tends to be more recent, as 37% of emigrants from rural areas had left Cambodia less than one year before the survey, compared to only 21% of emigrants from urban areas. While women and men present very similar patterns in terms of duration of stay in the destination country, seasonal migrants are slightly more likely to be men than women (6% versus 5%).

Figure 3.4. **Most emigrants migrate to neighbouring Thailand**

Share of emigrants in main destination countries (%), by gender

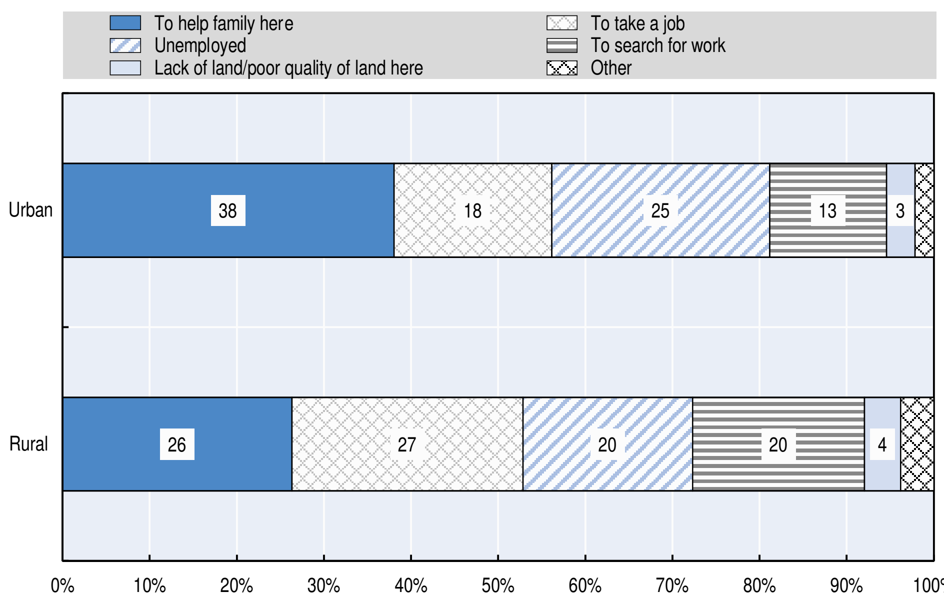


Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933470213

Figure 3.5. **Emigration is motivated by labour and financial-related reasons**

Relative share of reasons emigrants left (%)



Note: Respondents were given the chance to provide two reasons for emigrating, but only the first reason was taken into account.

Source: Authors' own work based on IPPMD data.

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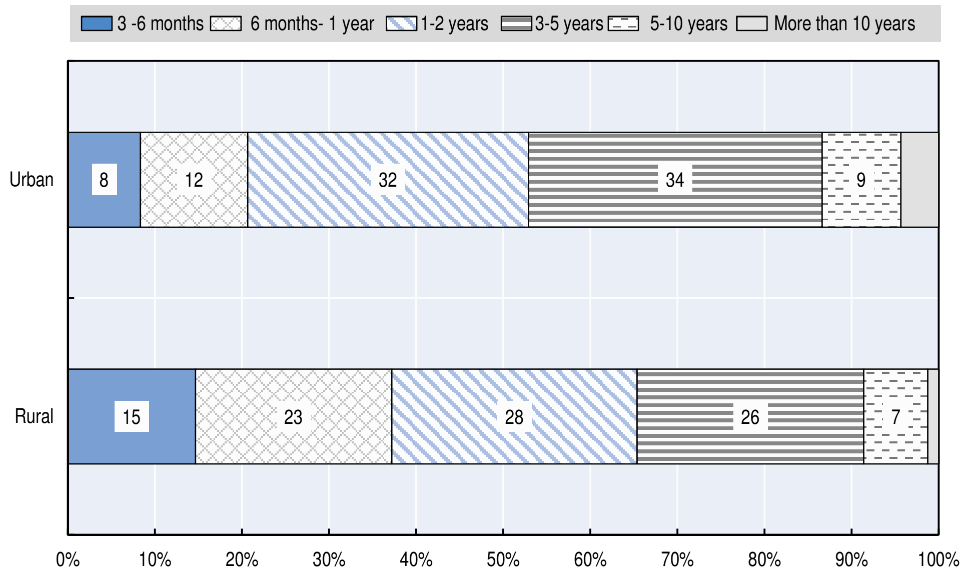
Figure 3.6. **Emigrants from rural areas tend to have left more recently than emigrants from urban areas**

Time since emigrants left



Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933470233

Remittance patterns differ across rural and urban households

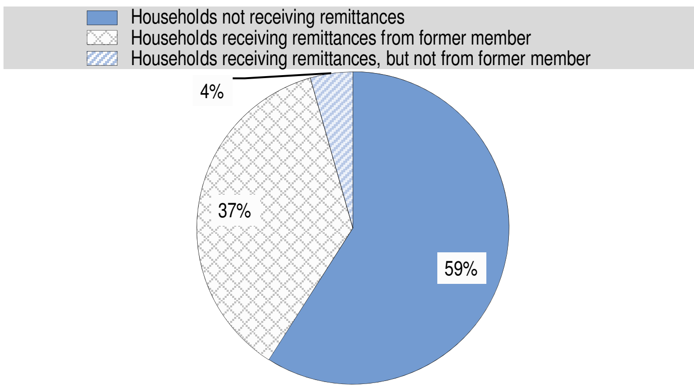
Although emigration and remittances are closely linked, one does not necessarily imply the other. Four in ten households in the sample received international remittances, partly reflecting the oversampling of migrant households (Figure 3.7). Most – but not all – of these households received them from a former household member who has emigrated, though 11% of them received them from someone else. Among households with an emigrant, 90% received remittances, compared to 7% of households without an emigrant member.

Information was collected on the financial decisions of households receiving remittances from a former household member. The most common action taken by both rural and urban households was to repay a loan (Figure 3.8). This was more likely for rural households (42%) than urban households (35%). Urban households were more likely than households in rural areas to pay for health treatment or schooling and accumulate savings.

The survey also collected information on the frequency and amount of remittances received from former household members. The average amount sent home by emigrants is KHR 3 597 000 (Cambodian Riel; equivalent to USD 889) over the last year, taking into account both cash and in-kind remittances. The average amount remitted is slightly higher for male (USD 919) than for female emigrants (USD 843). Both sexes remit equally, at 83%. About 8% of remittance-sending emigrants had sent in-kind remittances in the past 12 months. Around 40% of the remittances were sent through informal channels (informal agent, friends or family) to households in both rural and urban areas. (Figure 3.9). On average, remittance senders have send money home every other month.

Figure 3.7. **Nearly 40% of all households in the sample receive remittances**

Share of households that receive remittances (%)



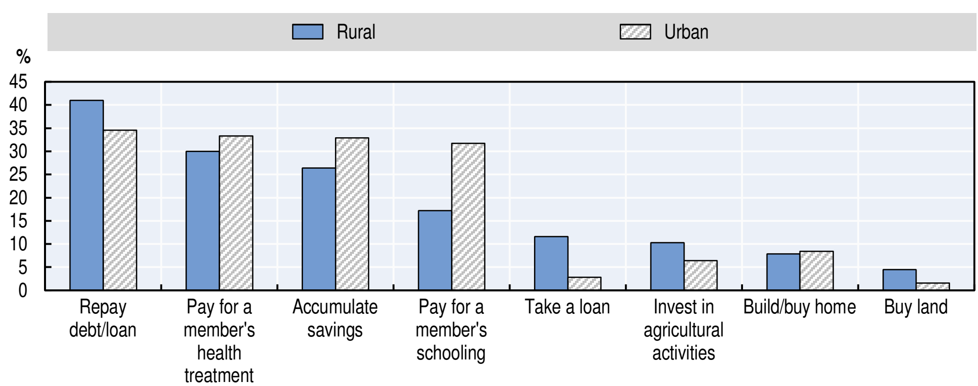
Note: The category "households receiving remittances from former member" does not imply that they solely receive remittances from a former member. It includes households that receive additional remittances from other emigrants.

Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933470240

Figure 3.8. **Debt repayment is the most common action for households receiving remittances**

Actions taken by households that receive remittances from a former household member



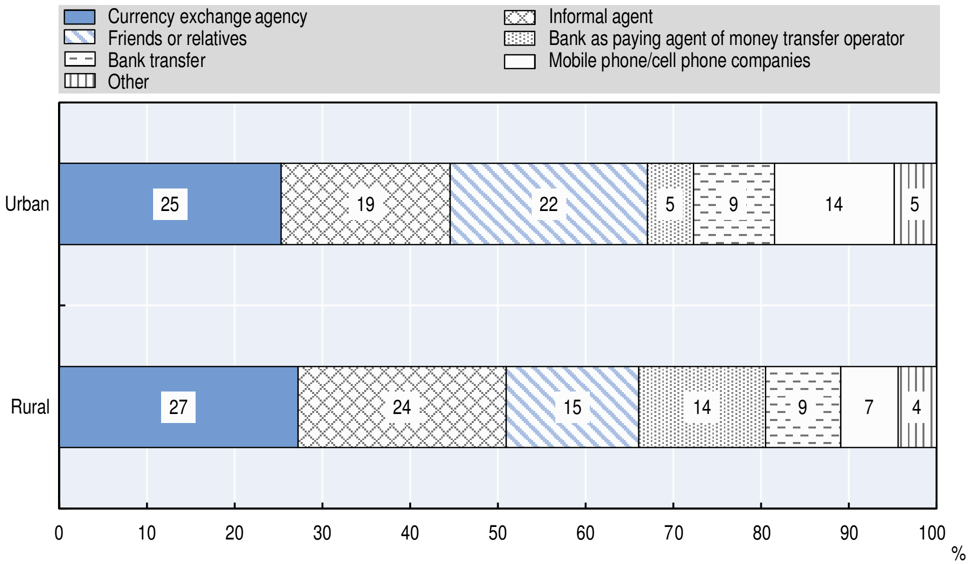
Note: The sample includes only households that receive remittances from a former household member. The figure displays the top seven most common activities reported by households. Households could specify whether they had undertaken each activity from the following list: taking a loan from a bank, paying for health treatment or schooling of a household member, accumulating savings, repaying a debt/loan, building or buying a home, investing in agricultural activities, taking out a loan from informal sources, accumulating debt, setting up a business, building a dwelling to sell to others and buying land.

Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933470257

Figure 3.9. **About one-quarter of rural households receive remittances through an informal agent**

Channels used by emigrants to send remittances



Source: Authors' own work based on IPPMD data.

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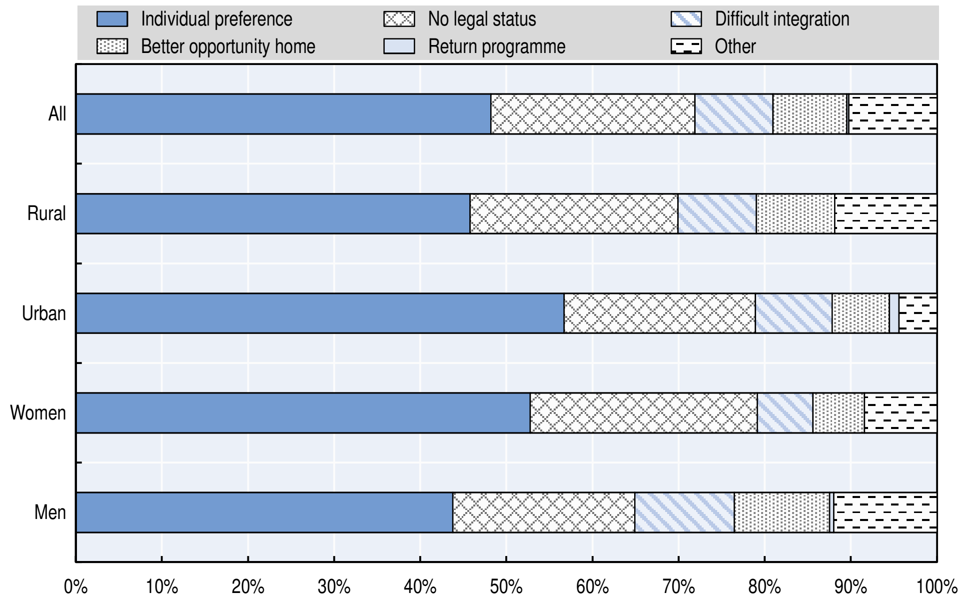
Most return migrants are satisfied to have returned

Most return migrants (85%) were previously residing in Thailand, reflecting Thailand's predominance as a destination country. A slightly higher share of migrants are returning from Malaysia (14%) than emigrating there (6%), a difference especially marked for women (22% vs 8%). About 33% of return migrants came home because they experienced difficulties integrating in the host country or lacked legal papers, whereas 48% returned because they preferred to be in Cambodia for a range of reasons (family, marriage, health) (Figure 3.10).

Return migrants were also asked about the challenges they faced after returning. Even though more than half of the return migrants report facing labour-related difficulties on their return to Cambodia, 89% of all returnees are satisfied to be back in the country. Among those satisfied, 31% plan to migrate again in the next 12 months. Among return migrants whom are not satisfied to be back in Cambodia, 52% plan to migrate again.

Figure 3.10. **Half of return migrants came back for individual preferences**

Relative share of reasons return migrants left (%)



Notes: The category "individual preference" includes returning for family, marriage and health reasons.
Source: Authors' own work based on IPPMD data.

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This chapter has presented the three tools – household and community surveys and the qualitative stakeholder interviews – used to collect data to analyse the interrelation between migration, public policies and development. The following chapters take a sector-by-sector approach to presenting the results of the data analysis: for the labour market, agriculture, education, and investment and financial services.

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Ministry of Planning (MoP) (2012). Migration in Cambodia: Report of the Cambodian Rural Urban Migration Project (CRUMP).

NIS (2009), *Socio-Economic Survey - CSES 2009*, National Institute of Statistics, Phnom Penh, *www.ilo.org/surveydata/index.php/catalog/50/study-description*.

ANNEX 3.A1

Sampling and survey details

Table 3.A1.1 **Summary of sampling design**

Number of strata	3
Base data used for sampling	CRUMP, CSES 2009
National coverage (yes/no)	No
Population covered	41%
Number of EAs sampled	100
Average population living in an EA	856 640
Number of households sampled	2 000
Number of households sampled per EA	20
Number of households sampled per province	BMC (480), BBT (480), KCM (460), KTH (180), KK (80), ODC (80), PV (240), SR (160)

Note: BMC: Banteay Meanchey, BBT: Battambang, KMC: Kompong Cham, KTH: Kompong Thom, KK: Koh Kong, ODC: Oddar Meanchey, PV: Prey Veng, SR: Siem Reap.

Table 3.A1.2 **Overview of the modules in the household questionnaire**

Module 1 *Household roster*	It includes questions on household characteristics including the number of household members, relationship to the household head, sex, age, marital status etc. It is worth mentioning that the module asks about intentions to migrate internationally of all household members aged 15 and above.
Module 2 *Education and skills*	It records information on school attendance of children, child labour, language skills, and educational attainment of all members. It also contains a series of policy questions to gather information on whether a household benefited from certain type of education policies. The education policies included in the questionnaire are for example, scholarships, conditional cash transfer (CCT) related to education and distribution of school supplies.
Module 3 *Labour market*	The main purpose of this module is to collect information on labour characteristics of household members. This includes employment status, occupation and main sector of activity; and means of finding jobs which include government employment agency. It also asks if members of the household participated in public employment programmes and vocational training.
Module 4 *Expenditures, assets, income*	It contains questions on household expenditure patterns, asset ownership and various types of income.
Module 5 *Investment and financial services*	It covers questions related to household financial inclusion, financial training and information on businesses activities. It also collects information about the main obstacles household faces to operate its businesses.

Table 3.A1.2 **Overview of the modules in the household questionnaire** *(cont.)*

Module 6 *Agricultural activities*	It is administered to households involved in agricultural activities including fishery, livestock husbandry and aquaculture. It records information about the plot, such as number, size, crops grown, how the plot was acquired and the market potential, as well as information about the number and type of livestock raised. This module also collects information on whether households benefited from agricultural policies such as subsidies, agricultural related training or crop price insurance.
Module 7 *Emigration*	It captures information on all ex-members of the household 15-years and above who currently lives abroad. It covers characteristics of the migrants such as sex, age, marital status, relationship to the household head, language skills and educational attainment. It also collects information on destination countries, the reasons they left the country and their employment status both when they were in the home country and in the destination country.
Module 8 *International remittances*	The purpose of this module is to collect information on remittances sent by current emigrants. It records the frequency of receiving remittances and the amount received the channels they were sent through as well as the usage of remittances.
Module 9 *Return migration*	It collects information on all members of the household who are aged 15 years and above who have who has previously lived abroad for at least three consecutive months and returned to the country. It records information about the destination, the duration of migration as well as the reasons for emigration and for return.

Chapter 4

What impacts does migration have on development in Cambodia?

Despite improving economic and social development in recent decades, Cambodia is still challenged by limited employment opportunities in the domestic labour market and relatively low wages compared to other countries in the region. As a result, a growing number of people from rural areas – especially young people – are seeking opportunities abroad. The impacts of this migration on household and national development are not well understood. The various dimensions of migration – emigration, remittances and return migration – are likely to have both positive and negative effects on household wellbeing and key sectors of the Cambodian economy. This chapter investigates the development impacts of migration in four sectors: the labour market, agriculture, education, and investment and financial services.

Cambodia has made great development strides in the last two decades through reform, targeted policies and streamlining its political processes. Despite widespread improvements in economic and social development, however, emigration has continued to rise, mainly to neighbouring countries. Between 2000 and 2015, the stock of emigrants rose from around half a million to almost 1.2 million (an increase of about 160%).

This chapter asks how this migration is affecting Cambodia's development in four policy sectors: the labour market; agriculture; education; and investment and financial services. For each sector the chapter presents the findings of the IPPMD surveys and data analysis to explore the impact of three dimensions of migration: emigration, remittances and return migration. The next chapter explores key policies in each of the focus sectors and their links to migration outcomes.

Migration and the labour market

A growing number of Cambodians, especially young people, are moving abroad to find jobs with higher wages in the region. How is the reduction of labour at both national and household levels affecting wage levels, unemployment and labour supply? Is it constraining productivity and development? Do remittances affect household labour decisions or allow them start up a small business? This section attempts to answer some of the questions by exploring the interrelationships between migration and the labour market in Cambodia.

In 2014, Cambodia's labour force participation rate[1] was 83%: 88% for men and 77% for women. Labour force participation rates in rural areas are higher (84%) than in Phnom Penh (78%) and other urban areas (79%). Unemployment is low, attributable mainly to the fact that most Cambodians are primarily self-employed. The National Institute of Statistics reported an employment rate of 82% in 2014, a 2-percentage point drop from 2009. Since 2008 Cambodia has benefitted from a young labour force, the "demographic bonus", which is expected to last until 2038 (NIS, 2015). The labour force participation rate of young workers (15-24) was 72% in 2014 compared to 74% five years ago.

Despite the growing importance of industry and services, agriculture remains the most important contributor to employment, accounting for 45% of the total employed population (aged 15-64), compared to services (30%)

and industry (24%). However, agriculture's share in employment dropped 12 percentage points between 2009 and 2014, while industry's employment share increased by 8 points and services by 4 points (NIS, 2015). While employment in agriculture is common among both men and women, women are engaged in the sector more than men. There has been an increase in waged employment over the last five years although self-employment remains the dominant form of employment. This increase reflects the increase in wage employment in industry and services. Wage employment is expected to increase further as the economy diversifies more intensively into industry and services.

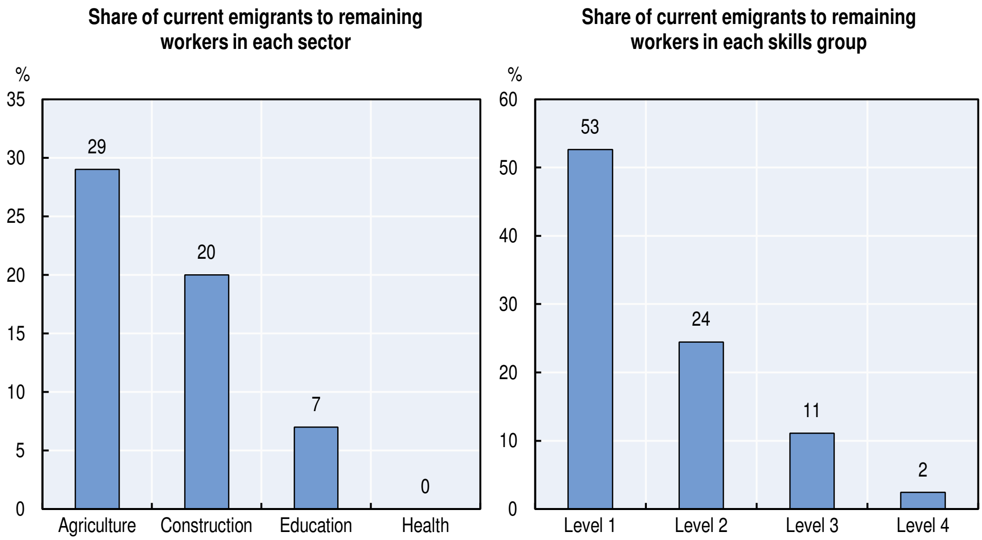
The IPPMD survey data echo these national patterns. For instance, the labour force participation rate among the survey sample (for people aged 15-64) was about 80%: 85% for men and 75% for women. The rate is higher in rural areas (82%) than in urban areas (72%). The employment rate is 79%: 84% among men and 75% among women, and is higher in rural areas mainly because of the prevalence of self-employment. Self-employment remains dominant, accounting for 59% of the surveyed working population (aged 15-64), followed by employment in the private sector (21%) and in the public sector (6%). Around 20% of the working population surveyed claimed not to be engaged in paid employment or to be looking for work. The rate is higher (24%) for all individuals aged 15 and above as this includes retired people.

Emigration and remittances reduce the supply of labour

To understand the impact of emigration on the labour market, it is necessary to look at the characteristics of those who leave. Almost all current emigrants in the survey are of working age (15 to 64). In fact, young people (aged 35 years or under) account for more than 80% of current emigrants. About 83% of the emigrants were employed in Cambodia (in agriculture-related activities and elementary occupations) before leaving the country. Nearly half (49%) were self-employed before leaving; the next largest group were in paid employment in the private sector (32%). Only 17% of emigrants were not in paid work and not looking for work. No discernible difference is observed in employment status between male and female emigrants.

The left-hand chart in Figure 4.1 compares the share of emigrants lost to the agriculture, construction, education, and health sectors. Agriculture is clearly losing the most labour, and this was also highlighted during the stakeholder interviews. This has led to a shortage of Cambodian agricultural workers, particularly on rice farms and during the harvest. It has also increased costs of production. The right-hand chart in Figure 4.1 displays the share of emigrants who left in each skills group in relation to the remaining workers in that skills group. This reveals that emigrants from Cambodia are mostly from the least skilled occupational groups.

Figure 4.1. **The agricultural sector and less skilled occupations are losing more workers to emigration**



Note: The skills level of occupations has been categorised using the International Standard Classification of Occupations (ISCO) provided by the International Labour Organization (ILO, 2012). Skills level 1: occupations which involve simple and routine physical or manual tasks (includes elementary occupations and some armed forces occupations). Skills level 2: clerical support workers; services and sales workers; skilled agricultural, forestry and fishery workers; craft and related trade workers; plan and machine operators and assemblers. Skills level 3: technicians and associate professionals and hospitality, retail and other services managers. Skills level 4: Other types of managers and professionals.

Source: Authors' own work based on IPPMD data

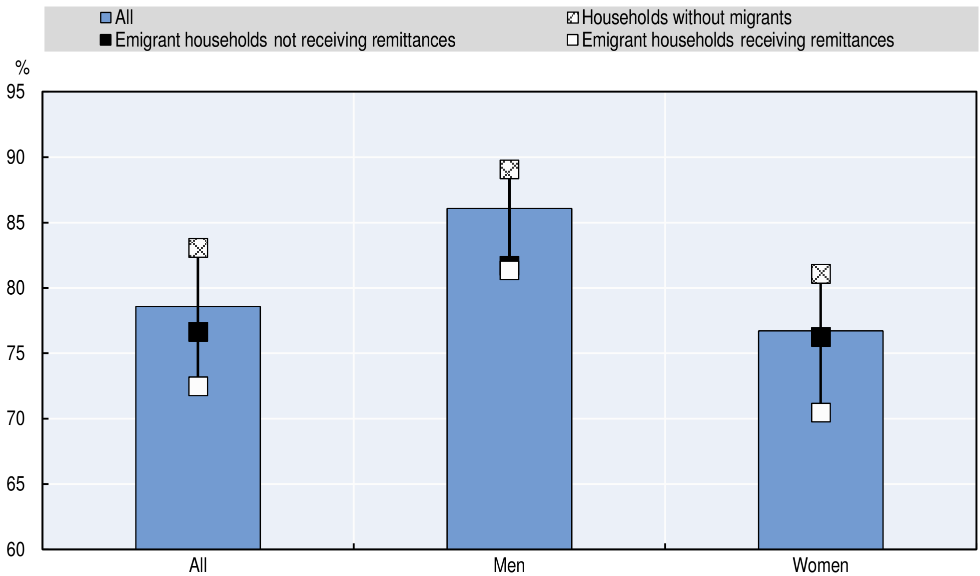
StatLink http://dx.doi.org/10.1787/888933470286

What does this mean for households that are losing their productive labour to emigration? The effects are complicated and depend on whether the emigrant had been employed before leaving and whether he or she then sends home remittances once they find employment abroad. Without remittances, other household members may need to seek work; receiving remittances on the other hand can reduce household members' need to work. These patterns are well identified in various contexts and parts of the world (Acosta, 2007; Amuedo-Dorantes and Pozo, 2006; Funkhouser, 2006; Kim, 2007; Osaki, 2003).

Although this complex picture makes it challenging to isolate individual effects, the IPPMD data do shed some light on this matter. Figure 4.2 compares the average share of working household members in non-migrant households, emigrant households *not* receiving remittances and those that *are* receiving remittances. The graph shows that remittance-receiving households have the lowest share of working adults, suggesting a link between receiving international remittances and the need to seek work by the working-age adults left behind. There is also a gender-differentiated pattern: women in remittance-receiving households are least likely to work of the three types of household compared while the difference between men living in the two types of household with emigrants remains limited.

Figure 4.2. **Households receiving remittances have fewer working members**

Share of household members aged 15-64 who are working



Note: The sample excludes households with return migrants only.

Source: Authors' own work based on IPPMD data.

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What does regression analysis tell us about this relationship?[2] The analysis in Box 4.1 seems to confirm that households reduce labour supply when they have emigrant members and/or receive remittances (Table 4.1). In particular, having an emigrant member and receiving remittances seem to significantly affect female labour supply. This finding is consistent with the literature (Adams, 2011; Acosta, 2007; Cabegin, 2006). It also appears that non-agricultural households are reducing their labour supply in relation to the fact they receive remittances. For agricultural households, however, receiving remittances does not seem to be linked to labour decisions. It is rather having an absent member that is associated with the withdrawal from the labour market for agricultural households; most probably because of the fact that the households may have more difficulties in replacing the absent member.

Box 4.1. **The links between migration and employment**

To investigate the link between migration and households' labour decisions, the following regression models were used:

$$share\_working_{hh} = \beta_0 + \beta_1 emig_{hh} + \beta_2 remit_{hh} + \gamma_1 controls_{hh} + \delta_r + \varepsilon_{hh} \quad (1)$$

$$m\_share\_working_{hh} = \beta_0 + \beta_1 emig_{hh} + \beta_2 remit_{hh} + \gamma_1 controls_{hh} + \delta_r + \varepsilon_{hh} \quad (2)$$

$$f\_share\_working_{hh} = \beta_0 + \beta_1 emig_{hh} + \beta_2 remit_{hh} + \gamma_1 controls_{hh} + \delta_r + \varepsilon_{hh} \quad (3)$$

where $share\_working_{hh}$ signifies households' labour supply, measured as the share of household members aged 15-64 who are working. $m\_share\_working_{hh}$ is the share of male household members that are working among men and $f\_share\_working_{hh}$ for female household members. $emig_{hh}$ represents a variable with the value of 1 where a household has at least one emigrant, and $remit_{hh}$ denotes a household that receives remittances. $controls_{hh}$ stands for a set of control variables at the household level.[a] δ_r implies regional fixed effects and ε_{hh} is the randomly distributed error term. The models were run for two different groups of households depending on their agricultural activities. The coefficients of variables of interest are shown in Table 4.1.

Table 4.1. **Remittances and migration seem to reduce labour market participation**

Dependent variable: Share of the employed among household members aged 15-64
Main variables of interest: Having an emigrant/receiving remittances
Type of model: OLS
Sample: All households with at least one member working

Variables of interest	Share of the employed household members among:						
	All households			Agricultural households		Non-agricultural households	
	total	men	women	men	women	men	women
Household has at least one emigrant	-0.060** (0.025)	-0.043 (0.033)	-0.055* (0.032)	-0.056* (0.031)	-0.062** (0.032)	0.059 (0.141)	0.014 (0.126)
Household receives remittances	-0.062** (0.026)	-0.051 (0.034)	-0.065** (0.032)	-0.023 (0.032)	-0.041 (0.032)	-0.216 (0.139)	-0.225** (0.126)
Number of observations	1 745	1 423	1 711	1 224	1 451	199	260

Note: Results that are statistically significant are indicated as follows: ***: 99%, **: 95%, *: 90%.

a. Control variables include the household's size and its squared value, the dependency ratio (number of children 0-15 and elderly 65+ divided by the total of other members), the male-to-female adult ratio, family members' mean education level, its wealth estimated by an indicator (Chapter 3) and its squared value.

Migration and agriculture

While Cambodia is primarily an agricultural economy, the economy is growing and diversifying into other sectors. Ever since the early 1990s, agriculture's share of value added in Cambodia's gross domestic product (GDP) has largely remained above 30%, although it is trending slowly downwards, falling to 28% in 2015 (World Bank, 2017). The importance of agriculture to the country and to poverty reduction is clear, however. In 2013, a very high share of the population (49%) was working in the agricultural sector (FAO, 2016a) – the highest for the IPPMD partner countries with available recent data (2012 and beyond).[3] This is notably lower, however, than the share of the population living in rural areas in 2014 (79.5%) (UN, 2014), which may reflect an upward shift in agricultural productivity and diversification into other economic activities. Productivity growth in the sector is indeed encouraging. An agricultural production per capita index starting at 100 in 2004-2006 had increased to 157 by 2013, the biggest increase amongst IPPMD partner countries over that period (FAO, 2016b). Similarly, an absolute gross production index starting at 100 in 2004-2006 had increased to 177 by 2013, also highest amongst IPPMD partner countries (FAO, 2016c).

Economic and social development in many countries has been accompanied by a general depopulation of rural areas, and a shift away from agricultural activities. While in many cases this involves internal migration, from rural to urban areas, international migration is also frequent. In Cambodia, for instance, it has become common for individuals from agricultural households – both rural and urban – to seek work in neighbouring countries with labour shortages in their agricultural sectors, such as Malaysia and Thailand. This section investigates what impact this migration is having on Cambodia's agriculture sector.

Agricultural households do not seem to invest remittances in agriculture

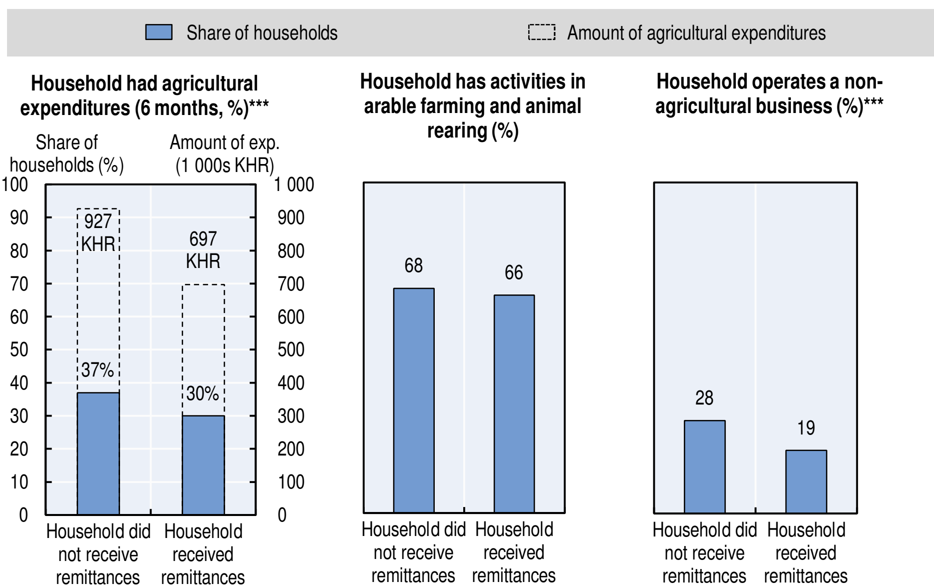
Migration can be a source of investment and innovation for the sector through remittances and social and financial capital brought home by return migrants. These can be invested in productive assets such as machinery, barns, fencing, feeding mechanisms, irrigation systems and tractors (Mendola, 2008; Tsegai, 2004). The productive investment of remittances can also help households move from labour-intensive to capital-intensive activities (Lucas, 1987; Taylor and Wouterse, 2008; Gonzalez-Velosa, 2011), or into specialisation (Böhme, 2013; Gonzalez-Velosa, 2011). They might also be used to finance entrepreneurial non-farm activities that require capital, such as a retail business or transport services (FAO and IFAD, 2008). This would be consistent with the gradual move away from agricultural dependence occurring in many countries, especially Cambodia. This has been the case in Albania, for instance, where remittances have been negatively associated with both labour and non-labour inputs in agriculture (Carletto et al., 2010).

According to the IPPMD data, agricultural households in Cambodia are less likely to receive remittances than non-agricultural households, although the difference is not statistically significant, either for remittances originating from any source (40% vs. 44%) or for remittances from former household members only (36% vs. 40%). In addition, the *rate* of emigrant households receiving remittances is also lower in agricultural households than it is in non-agricultural households (89% vs. 93%).

The IPPMD survey also asked whether households had bought any productive assets (such as farming equipment) in the previous six months; 572 agricultural households claimed to have done so. Were those households receiving remittances more likely to invest in these materials? The surprising answer is no. Households receiving remittances were *less* likely to have made such expenditures (30% vs. 37%). Looking more closely at these 572 households, they also spent less on agricultural assets on average than those not receiving remittances (KHR 697 219 vs. 926 656[4]), counter to the expectations discussed above (Figure 4.3).

Figure 4.3. **Remittances are not driving investment or diversification in agriculture**

Household expenditures and business ownership, by whether household receives remittances



Note: Statistical significance calculated using a chi-squared test is indicated as follows: ***: 99%, **: 95%, *: 90%. Statistical significance in the first graph on the left is related to the share of households with agricultural asset expenditures, and not the amount spent.

Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933470309

Perhaps the households receiving remittances had instead chosen to spend their additional income on either specialising or diversifying their farming activity, such as running activities in both arable farming and livestock rearing, or on financing a non-farm business. Looking across all agricultural households, however, the data suggest little difference between remittance and non-remittance households in terms of diversification (66% vs. 68%, Figure 4.3). In fact, households receiving remittances are less likely to diversify, being significantly more likely to only farm livestock (19% vs. 15%, not shown). While this points to the fact that they are investing in more capital-intensive activities, evidence also suggests that households receiving remittances are less likely to own a non-agricultural business than those not receiving remittances (19% vs. 28%, Figure 4.3).

Regression analysis largely confirms the patterns suggested above: there is a negative link between a household receiving remittances and investing in agricultural assets (Box 4.2). Moreover, receiving remittances makes no difference to whether a household diversifies into both arable farming and rearing animals. In fact, the more remittances received, the less likely the household is to have diversified (Table 4.2, column 3). Instead, there is evidence of specialisation: those receiving remittances were more likely than those not receiving remittances to only rear livestock (not shown). In addition, receiving remittances was also negatively associated with the household running a non-agricultural business.

How does return migration affect the agricultural sector? It has similar potential to remittances, since the return migrants may bring back savings, but in addition, they also bring back their labour, new skills and contacts (financial, human and social capital). The literature underlines the fact that return migrants may bring home novel ideas about activities not currently being exploited in the country (Wahba, 2015). Cambodia still may have some way to go before such ideas catalyse a transition from a primarily agrarian to a more diversified economy.

Box 4.2. **The links between remittances and investing in farming**

To estimate the probability that an agricultural household has invested remittances in an asset or activity, the following regression models were estimated:

$$\text{Prob}(\text{agri\_outcome}_{hh}) = \beta_0 + \beta_1 remit_{hh} + \gamma controls_{hh} + \delta_r + \varepsilon_{hh} \qquad (4)$$

where the unit of observation is the household *hh* and the dependent binary variable *agri_exp* in equation (4) represents the probability that the household is engaged in a particular agricultural outcome (e.g. making expenditures or having a specific activity) and takes on a value of 1 if the household did so and 0 if not; $remit_{hh}$ represents the fact that the household received remittances in the past 12 months; $control_{hh}$ stands for a set of household-level regressors;[a] while δ_r represents regional-level fixed effects. Standard errors, ε_{hh}, are robust to heteroskedasticity.

Box 4.2. **The links between remittances and investing in farming** *(cont.)*

A second OLS model was also estimated:

$$\text{Ln}(agri\_exp_{hh}) = \beta_0 + \beta_1 remit_{hh} + \gamma controls_{hh} + \delta_r + \varepsilon_{hh} \quad (5)$$

where *agri_exp* represents the logged amount of agricultural expenditures. All other variables are as defined in equation (4).

Table 4.2 presents the regression results. Column (1) presents results on whether the household has made agricultural asset expenditures; column (2) represents the amount spent on agricultural assets in the past 12 months; column (3) represents whether the household has activities in both farming and animal rearing; and column (4) represents whether the household operates a non-agricultural business. These are analysed against two variables of interest: whether the household received remittances in the past 12 months, and the logged amount of remittances sent by former members of the household in the past 12 months. This limits the sample to only those households that received remittances.

Table 4.2. **Remittances have little effect on agricultural and non-agricultural investments**

Dependent variable: Investment outcomes
Main variables of interest: Household received remittances/amount of remittances received by household
Type of model: Probit/OLS
Sample: Agricultural households

Variables of interest	Dependent variables			
	(1) Household has made agricultural asset expenditures (equation 4)	(2) Logged amount spent on agricultural assets in the past 12 months (equation 5)	(3) Household has activities in both farming and animal rearing (equation 4)	(4) Household operates a non-agricultural business (equation 5)
Household received remittances in the past 12 months	-0.071*** (0.025)	0.001 (0.957)	0.013 (0.025)	-0.069*** (0.023)
Number of observations	*1 671*	*598*	*1 671*	*1 671*
Logged amount of remittances sent from former household members	0.016 (0.100)	-0.057 (0.078)	-0.038** (0.015)	0.001 (0.016)
Number of observations	*572*	*176*	*598*	*598*

Note: Statistical significance is indicated as follows: ***: 99%, **: 95%, *: 90%. Results reflect marginal effects. Standard errors are in parentheses and robust to heteroskedasticity.

a. Control variables for regression model estimations related to agriculture presented in this chapter include the household's size, its dependency ratio (number of children 0-15 and elderly 65+ divided by the total of other members), the male-to-female adult ratio, its wealth estimated by an indicator (Chapter 3), whether it is in a rural or urban region and a fixed effect for its geographic region.

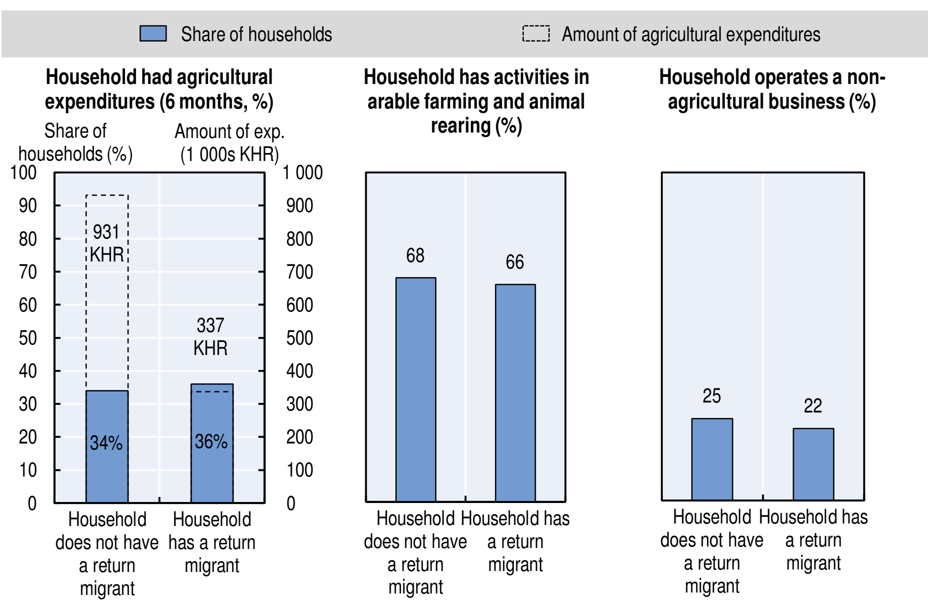
The survey found that the share of return migration in farming households is lower than in non-farming households, though the difference is not statistically significant. Of the 282 households with return migrants, 227 were farming households (14% of all farming households), while 55 were non-farming households (17% of all non-farming households). Looking specifically at migrant households (those with current emigrants or return migrants), non-farming households still hold an edge in the rate of return migration (30% vs. 28%), but again this difference is not statistically significant.

The descriptive statistics suggest that households with return migrants are just as likely to invest in agricultural assets as those without return migrants, although the former invest less (the difference is not statistically significant, Figure 4.4). Moreover, return migrant households are just as likely as non-return migrant households to be involved in both arable farming and animal husbandry (66% vs. 68%), nor were they linked with an activity in particular (either arable farming or animal husbandry), compared to households without return migrants.

Households with return migrants were also slight less likely to be running a non-agricultural business than those without a return migrant (22% vs. 25%), although the difference is not statistically significant.

Figure 4.4. **Return migrants make little difference to agricultural investment or diversification**

Household asset expenditures and business ownership, by whether household has a return migrant



Note: Statistical significance calculated using a chi-squared test is indicated as follows: ***: 99%, **: 95%, *: 90%. In the left-hand graph, the US dollar totals are USD 230 vs. 83 (exchange rate as of 1 July 2014).

Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933470316

A similar regression analysis as the one described in Box 4.2 was used to explore whether return migrant households invest in agriculture. The probability of receiving remittances is replaced in equations (4) and (5) with the probability of having a return migrant in the household. The results confirm very little link between return migration and investment, either in or out of the sector (Table 4.3). The only statistically significant finding was that return-migrant households tend to spend less on agricultural assets than households without a return migrant. In addition, return-migrant households are just as likely as households without a return migrant to operate both arable farming and animal husbandry activities or to specialise in one or the other.

Table 4.3. **Return migration has no positive influence on agriculture**

Dependent variable: Investment outcomes
Main variables of interest: Household has a return migrant
Type of model: Probit/OLS
Sample: Agricultural households

Variables of interest	Dependent variables			
	(1) Household has made agricultural expenditures (equation 3)	(2) Logged amount spent on agricultural asset expenditures (equation 4)	(3) Household has activities in both farming and animal rearing (equation 3)	(4) Household operates a non-agricultural business (equation 3)
Household has a return migrant	-0.015 (0.035)	-0.258** (0.119)	-0.024 (0.036)	0.023 (0.030)
Number of observations	*1 671*	*572*	*1 671*	*1 671*

Note: Statistical significance is indicated as follows: ***: 99%, **: 95%, *: 90%. Results reflect marginal effects. Standard errors are in parentheses and robust to heteroskedasticity.

Overall, migration would not seem to have any positive effect on the agricultural sector in Cambodia as remittances nor return migration are channelled towards productive investment by agricultural households. This is likely a reflection of the high poverty rates that still prevail throughout the country, where the population still highly depends on agricultural activities for a living. The remittances and benefits from return migration are not enough for households to either invest into more productive activities or diversify out of the agricultural sector. This appears to be an area in which policy could have a role in helping guide such remittances and return migrants towards more investment in the sector, or diversify out of it.

Migration and education

The Cambodian education system includes pre-school, primary education, general secondary education and higher education. Primary education lasts for six years and is compulsory. General education has two levels: lower secondary (grades 7-9), which in principle is compulsory, and upper secondary (grades 10-12). Students completing lower secondary education can either continue to upper secondary, or enrol in technical and vocational training programmes. Students who pass the national baccalaureate exam can enrol in higher education.

Despite the fact that most public services, including educational infrastructure, were destroyed during the Khmer Rouge regime (1975-1979), the country has managed to expand access to education. Cambodia's education outcomes have improved, but are still lower than in most countries in the Association of Southeast Asian Nations (ASEAN). The average adult in Cambodia has six years of schooling, which across the region is only higher than Myanmar (4.1 years) (UNDP, 2016). The National Institute of Statistics (NIS) estimates that the adult literacy rate – the share of the population aged 15 years and older who can read and write a simple message – is 78%: up from 69% in 2004 (NIS, 2015). The IPPMD data included a lower share of adults who stated that they could read and write: around 70%. This difference is likely to be explained by the preponderance of rural households in the IPPMD sample (Chapter 3), while literacy rates in general are higher in urban areas. Overall, the literacy rate for men is higher than for women.

IPPMD data show that school attendance rates are high for children aged 6-14 (93%),[5] but drop sharply for youth between 15 and 17 years (down to 60%). School attendance rates for this age group are higher in urban areas (66%) than in rural areas (59%).

Households receiving remittances spend more on education

What effect is migration likely to have on education? Remittances can provide the financial means for households to invest in their children's education. The literature generally finds that in households that receive remittances, school dropout rates fall and the years of schooling increase (Cox-Edwards and Ureta, 2003; Hanson and Woodruff, 2003; Yang, 2008). Households that receive remittances also tend to spend more on education (Adams, 2005; Murata, 2011). At the same time, the emigration of household members may negatively affect child and youth education enrolment rates and increase school drop-outs if they are needed to do more housework, farm work or work outside the household. The most relevant previous study of Cambodia found that children in migrant families are more likely to drop out of school, and this effect tends to be stronger for girls (Hing et al., 2014). One explanation is that gender inequalities in education still persist in Cambodia.

As noted above, primary school attendance rates in the IPPMD sample are high. However, among the children not attending school, those in households without migrants are more likely to be out of school because the household cannot afford school (29% versus 25%). This pattern might be linked to remittances as the difference is even larger when comparing when comparing households receiving and not receiving remittances (30% among children in households without remittances compared to 24% in households with remittances). Although households' schooling costs have fallen in Cambodia following the introduction of the Priority Action Program (PAP) in 2000, they remain substantial. These costs mainly include pocket money, transport and supplementary tutoring, and increase rapidly with grade (World Bank, 2005). According to the NGO Education Partnership, parents' school-related costs amount to KHR 443 800 (USD 108) per child, or 8.7% of the family's annual income (NEP, 2007).[6] Fees increase as students progress from grade to grade (an estimated USD 60 for grades 1-3, USD 90 for grades 4-6 and USD 158 for grades 7-9).

The IPPMD data suggest that households receiving remittances spend similar amounts on education than households not receiving remittances. The former spend on average KHR 850 000 (USD 210) a year on education, while households not receiving remittances spend slightly more, at KHR 900 000 (USD 223) a year on average. The share of the household annual budget spent on education is around 6.7% for both household groups (6.6% for households without remittances and 6.7% for those with remittances).

However, more in-depth regression analysis controlling for other individual and household factors shows a positive and significant link between remittances and educational expenditures, in absolute as well as in relative terms (Box 4.3). The results suggest that remittances allow households to spend more on educating their children. These results are also in line with another Cambodia study, which shows that remittances increase educational expenditures (Hing and Sry, forthcoming).

The results in Box 4.3 also show a negative link between emigration and educational expenditures (when simultaneously controlling for household receiving remittances), potentially because children in emigrant households may have to take on more housework or work outside the home.

The prospect of future emigration could also influence school attendance rates. The IPPMD data show that youth who are planning to emigrate are less likely to attend school than those who do not plan to emigrate (Figure 4.5). This may be explained by low returns to education both at home and abroad. Low returns to education in Cambodia, especially in higher education, reduce the incentives to attain education beyond basic levels (OECD, 2013). In addition, if returns to domestic education are low in the country of destination, the prospect of future emigration may also lower the incentive to invest in education. Similar results have been found for rural households in Mexico (McKenzie and Rapoport, 2006).

Box 4.3. **The links between migration, remittances and education expenditures**

A regression framework was developed to estimate the effect of migration and remittances on education expenditures using the following equation:

$$Ln(edu\_exp_{hh}) = \beta_0 + \beta_1 \ln(remit)_{hh} + \beta_2 emig_{hh} + \gamma controls_{hh} + \delta_r + \varepsilon_{hh} \quad (6)$$

$$\frac{edu\ exp_{hh}}{total\ exp_{hh}} = \beta_0 + \beta_1 \ln(remit_{hh}) + \beta_2 emig_{hh} + \gamma controls_{hh} + \delta_r + \varepsilon_{hh} \quad (7)$$

where the dependent variables $Ln(edu\_exp_{hh})$ in equation (6) and $\frac{edu\ exp_{hh}}{total\ exp_{hh}}$ in equation (7) represent household educational expenditures measured in absolute (logged) values or as share of total household yearly budget respectively; $remit_{hh}$ represents a binary variable for households receiving remittances, where "1" denotes a household receiving remittances and "0" if not; while $emig_{hh}$ takes on value "1" if the household has at least one emigrant and "0" if not; $controls_{hh}$ are a set of observed household characteristics influencing the outcome.[a] δ_r represents regional fixed effects and ε_{hh} is the randomly distributed error term.

Table 4.4. **Households receiving remittances spend more on education**

Dependent variable: Educational expenditures (values and share of household budget)

Main variables of interest: Amount of remittances, having an emigrant

Type of model: OLS

Sample: All households with children in school age (6-14)

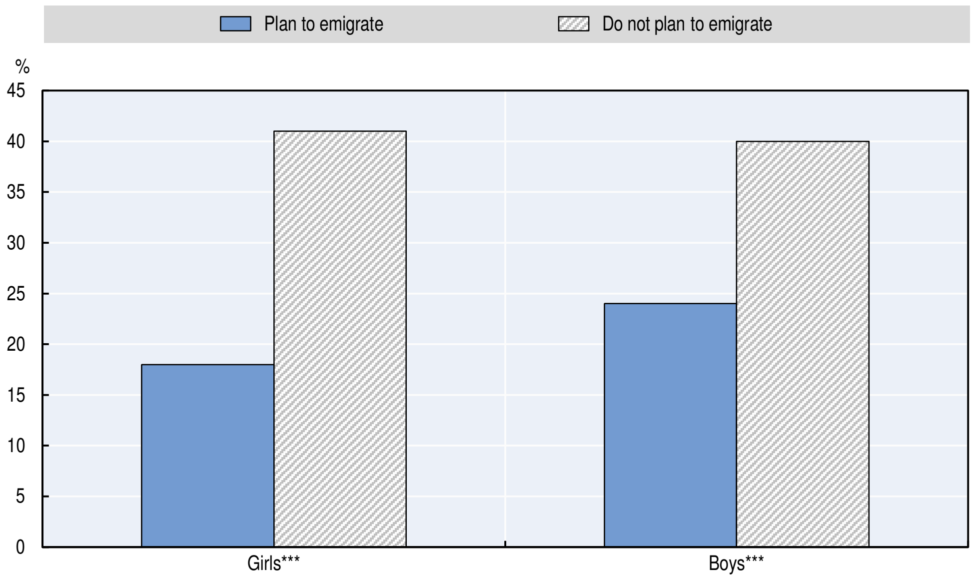
Variables of interest	Dependent variable	
	(1) Educational expenditure (log amounts)	(2) Educational expenditure (share)
Household receives remittances	0.196* (0.103)	0.012* (0.006)
Household has at least one emigrant	-0.251** (0.102)	-0.019*** (0.006)
Number of observations	1 029	1 099

Note: Results that are statistically significant are indicated as follows: ***: 99%, **: 95%, *: 90%. Standard errors are in parentheses.

a. The set of household and individual explanatory variables included in all specifications are the following: household size, household dependency ratio (defined as the number of children and elderly in the household as a share of members in working age), the mean education level of adults in the household, the number of young children (6-14 years old) and the number of youth (15-17 years old) in the household, a dummy for urban location, and finally an asset index (based on principal component analysis) that aims to capture the wealth of the household. In addition, a variable indicating whether the household has a migrant or not has been added.

Figure 4.5. **Youth planning to emigrate are much less likely to attend school**

Share of youth (aged 15-22) attending school, by intentions to emigrate



Note: Statistical significance calculated using a chi-squared test is indicated as follows: ***: 99%, **: 95%, *: 90%.
Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933470328

Migration, investments and financial services

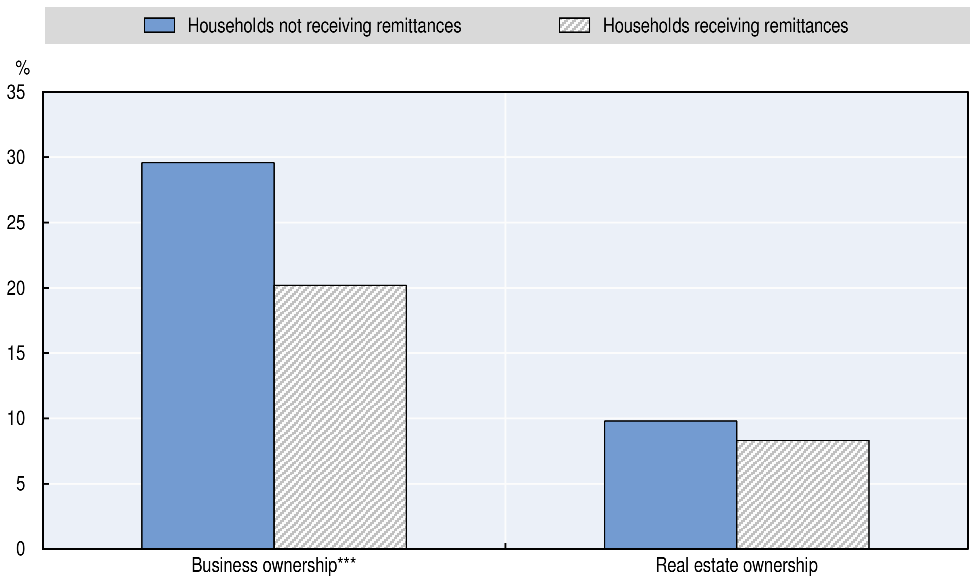
The idea that migration and remittances can encourage household investments in business and other productive activities has been widely discussed in the literature. Migration and remittances can offer a way to overcome credit market imperfections and enable households to invest in business start-ups or in land and housing, for example. The evidence for such a link is mixed, however, making it hard to draw any firm conclusions. Research in Mexico, for example, found both positive and significant impacts of remittances on business investments (Massey and Parrado, 1998; Woodruff and Zenteno, 2007) and limited links between migration and productive investment (Basok, 2000; Zarate-Hoyos, 2004). To date there is very limited evidence of the impacts of migration and remittances on investments in Cambodia.

Emigration, return migration and remittances have limited effects on productive investments

The IPPMD data contain detailed information about household business ownership in the non-agriculture sector. About 26% of the households in the overall sample own at least one business (Figure 4.6), but households not receiving remittances are more likely to than remittance-receiving households (30% versus 20%). The share of households owning non-agricultural land is less than 10% for both types of household (9% versus 7%). The share of households owning housing is less than 1% for both household types. Due to this low share, land and housing are analysed together in the regression analysis (referred to as real estate assets).

Figure 4.6. **Households receiving remittances are less likely to own businesses and real estate**

Share of business and real estate ownership (%) by whether household receives remittances



Note: Results that are statistically significant (calculated using a chi-squared test) are indicated as follows: ***: 99%, **: 95%, *: 90%.

Source: Authors' own work based on IPPMD data.

StatLink *http://dx.doi.org/10.1787/888933470338*

The relationship between migration, remittances and productive assets was analysed using regression analyses (Box 4.4).[7] The results show no statistically significant correlation between migration, remittances and having a business or owning real estate. Although migrant and remittance-receiving households have a lower probability of running a business, the link is not statistically significant.

These findings are likely explained by the fact that the decision to migrate in Cambodia is largely influenced by poverty, lack of employment, lack of alternative sources of income, landlessness, and inability to repay debt. This also implies that the amount of remittances that migrants are able to send is generally low and mainly used for securing daily consumption and other basic needs, rather than to fund investments. Accumulation of debts with high interest rates was mentioned as a push factor for emigration in the qualitative stakeholder interviews, and a majority of the emigrants (55%) in the sample stated that loans were the main means of funding their migration. Repaying loans and debts was also the most common activity undertaken by remittance-receiving households (Chapter 3, Figure 3.8).

Return migration also has the potential to affect investment. Migrants may return with new knowledge and capital as a resource to launch business activities or to invest in productive assets (Labrianidis and Hatziprokopiou, 2006; Mesnard, 2004; McCormick and Wahba, 2001). On the other hand, the fact that the return migrant spend time abroad may also have a disruptive effect on labour market integration if the migration experience involves employment below the migrant's qualifications and if social ties in the country of origin are weakened. Creating a business can sometimes then be the "last resort" for return migrants who cannot find a job locally (Mezger Kveder and Flahaux, 2013).

The regression results in Table 4.5 show that return migration is negatively associated with the likelihood of households having a business. Having a return migrant is also not associated with a higher probability of owning real estate, but is negatively associated with business ownership. Hence, the hypothesis that migrants return to the country of origin with capital to invest in productive activities does not seem to hold in Cambodia's case. The profile of return migrants suggests that as the majority have a low level of education (Chapter 3) and take agriculture or other elementary jobs in the country of destination, they do not accumulate enough savings for remitting or investing on their return.

Box 4.4. **The links between migration, remittances and business ownership**

To analyse the link between migration and business and real estate ownership, two probit model regression were run with the following forms:

$$Prob(investment)_{hh} = \beta_0 + \beta_1 remit_{hh} + \beta_2 emig_{hh} + \gamma controls_{hh} + \delta_r + \varepsilon_{hh} \quad (8)$$

$$Prob(investment)_{hh} = \beta_0 + \beta_1 return_{hh} + \beta_2 emig_{hh} + \gamma controls_{hh} + \delta_r + \varepsilon_{hh} \quad (9)$$

where $investment_{hh}$ is either business ownership or real estate ownership (depending on the specification) undertaken by the household; $investment_{hh}$ takes on a value of "1" if a household owns at least one business or real estate and "0" if not; $remit_{hh}$ in equation (8) represents a binary remittance variable with value "1" for households that receive remittances and "0" otherwise $emig_{hh}$ represents a binary variable for whether the household has a migrant or not; $controls_{hh}$ are a set of observed household and individual characteristics that are believed to influence the outcome; and ε_i is a randomly distributed error term indicating, in part, the unobservable factors affecting the outcome variable.[a] In equation (9) $return_{hh}$ is a binary variable taking on the value

Box 4.4. **The links between migration, remittances and business ownership** *(cont.)*

of "1" if the household has at least one return migrant, and "0" for households without return migrants. δ_r represents regional fixed effects and ε_{hh} is the randomly distributed error term.

Four different specifications were carried out (Table 4.5). Specification (1) investigates the link between migration/receiving remittances and household business ownership, controlling for household characteristics, and column (3) analyses the link between migration/receiving remittances and real estate (land and housing) ownership. Specifications (2) and (4) investigate the link between return migration and business ownership and real estate respectively.

Table 4.5. **Return migration is negatively correlated with business ownership**

Dependent variable: Household runs a business/owns real estate

Main variables of interest: Amount of remittances, having an emigrant/return migrant

Type of model: Probit

Sample: All households

Variables of interest	Dependent variable			
	(1) Business	(2) Business	(3) Real estate	(4) Real estate
Household receives remittances	-0.037 (0.036)	n/a	-0.019 (0.023)	n/a
Household has at least one emigrant	-0.023 (0.046)	n/a	0.012 (0.023)	n/a
Household has a return migrant	n/a	-0.047* (0.027)	n/a	0.010 (0.019)
Number of observations	1 940	1 940	817	1 940

Note: Statistical significance is indicated as follows: ***: 99%, **: 95%, *: 90%.

a. The set of household and individual explanatory variables included in the model are the following: household size and household size squared, household dependency ratio (defined as the number of children and elderly in the household as a share of the total adult population), mean education level of the members in the household, number of children in the household, binary variables for urban location and household head being female, and finally an asset index (based on principal component analysis) that aims to capture the wealth of the household.

Conclusions

This chapter has presented how migration affects the four sectors in Cambodia: the labour market, agriculture, education, and investment and financial services. The results indicate that migration can have both positive and negative impacts on household wellbeing and Cambodia's national development.

Emigration appears to reduce the incentives for the remaining household members to seek work, and might also lead to labour shortages in certain sectors, particularly agriculture. While in some countries remittances can compensate for these negative impacts by helping households overcome constraints such as access to financial and human capital, this study suggests that these impacts are limited in Cambodia. This is a major missed opportunity for a country that is rebuilding much of its capital stock. Policies to support and enable households to channel remittances towards productive use, and measures that stimulate investment by return migrants would not only benefit the household, but also the country's development as a whole.

On the other hand, remittances do seem to be invested in education. Not being able to afford school is more common among households without emigrants or remittances, and money sent back to households by emigrants is often channelled towards education-related expenditures, which is likely also boosting attendance. At the same time, the findings show that the prospect of future migration may in some cases lead to youth school drop-out. It is therefore important to ensure that all children and a household have the means and incentives to complete the full mandatory cycle of national education. These policy issues are the subject of the next chapter.

Notes

1. Defined as the ratio of labour force to the working age population (15-64).
2. See Chapter 3 for methodological background on the regression analyses used in this project.
3. The figure by the FAO was provided for comparative reasons (with other IPPMD countries). Note that the Cambodian National Institute for Statistics (NIS) provides a figure for the relative share of agricultural workers in the country of 45% in 2014 (NIS, 2015).
4. Using the exchange rate on 1 July 2014, the equivalent totals are USD 172 vs. 229.
5. This is in line with NIS data which report school attendance rates at 96% for 2015 (NIS, 2015).
6. `These include matriculation costs (school uniforms, textbooks, school registration); daily costs (food and transportation); educational fees (lesson handouts, private tutoring and payments to teachers for various purposes); and additional costs.
7. The questionnaire asked households to report the number of assets they own, such as land and property, but did not ask when these assets were acquired. The analysis is therefore limited by the fact that it is not possible to distinguish assets that were acquired before and after a migrant left the household, or before or after a household started receiving remittances.

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Chapter 5

How do sectoral policies affect migration in Cambodia?

Sectoral policies in key areas for development, such as the labour market, agriculture, education, and financial services and investment can still affect migration decisions. The IPPMD household and community surveys incorporated a wide set of policy programmes in the four sectors to identify some clear links between sectoral policies and migration. This chapter reports on analysis of the ways in which policy programmes in these sectors in Cambodia influence people's decision to emigrate and to send remittances.

Migration is inevitably influenced by policies in the country of origin. Most countries have a set of policies which directly target migration, such as those controlling who can enter the territory and under which conditions, and those aiming to facilitate the sending and receiving of remittances. However, policies not specifically targeted at migration can also have an influence on migration. The IPPMD project in Cambodia focuses on the policies in the sectors that are key to development and explored in Chapter 4: the labour market, agriculture, education, and investment and financial services.

Chapter 4 showed that the migration impacts on these four sectors vary. The policy context for each of these sectors in turn influences migration outcomes, such as the decision to emigrate and how remittances are used. To date, the impact of sectoral policies on migration remains largely unresearched. This chapter attempts to disentangle the link between sectoral policies and migration in Cambodia by examining a wide set of policy programmes in the four sectors (Table 5.1). This chapter is organised according to the four sectors under study. It first discusses how migration outcomes are affected by labour market policies, followed by policies governing agriculture, education and investment and financial services.

Table 5.1. **Sectoral policies and programmes covered in the IPPMD project**

Sectors	Policies / programmes
Labour market	● Government employment agencies ● Vocational training programmes ● Public employment programmes
Agriculture	● Subsidy-type programmes ● Agricultural training programmes ● Insurance-based programmes
Education	● In-kind distribution programmes ● Cash-based programmes ● Other types of education programmes
Investment and financial services	● Policies related to businesses investments ● Policies related to financial inclusion and education

Labour market policies and migration

Cambodia's growing international migration – mainly to Thailand, Malaysia and South Korea through both formal and informal channels (Chapter 2) – indicates that the increase in the number of domestic jobs is not keeping pace with demand. Furthermore, wages at home are not comparable to those offered in the receiving countries. Both these issues have been acknowledged by the government and responsible ministries and measures have been put in place to increase job growth so as to keep pace with new entrants and to improve working conditions.

IPPMD data confirm that the search for jobs is the main driver of migration. Nearly two-thirds of current emigrants reported that they left the country to take or search for jobs abroad. About 30% of them migrated to help members of their household. Policy instruments that improve the domestic labour market may therefore reduce the incentive to migrate. Such policies can seek to enhance labour market efficiency through government employment agencies, improve the skills set of labour supply through vocational training programmes, and expand labour demand by increasing public employment programmes. To what extent are these policies present in Cambodia, and are they having an influence on migration?

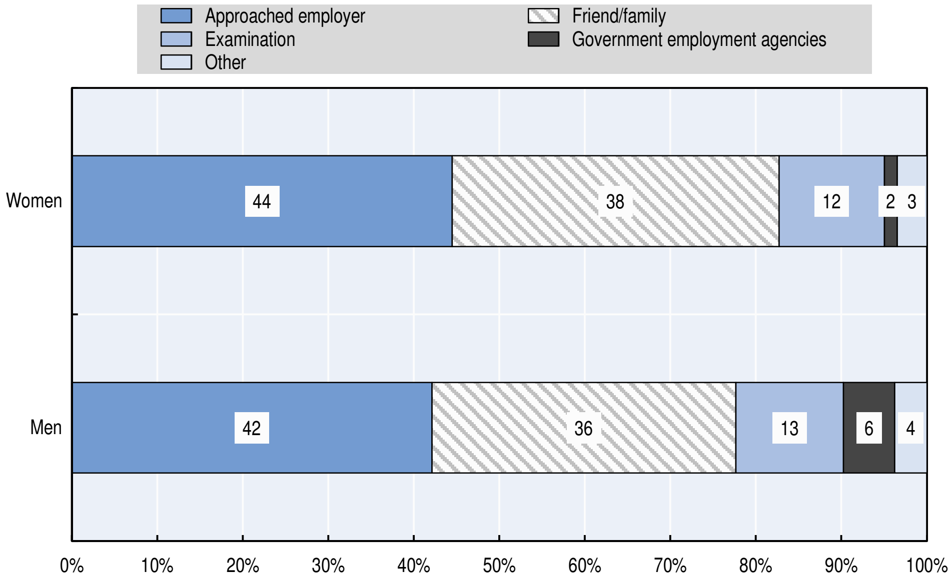
Government employment agencies can reduce the incentives to migrate

The Ministry of Labour and Vocational Training (MOLVT) disseminates labour market information and attempts to match job seekers with potential employers. One of the main public institutions responsible is the National Employment Agency (NEA). The NEA offers guidance to job seekers, provides them with labour market information, and ensures that the information is widely available through mechanisms such as job fairs. Such mechanisms can have an indirect impact on households' migration decisions. If people can find jobs in the local labour market through government employment agencies, they may choose to stay rather than move abroad to seek work.

Only about 4% of Cambodians (employed in public and private sectors) in the IPPMD sample had found jobs through government employment agencies (6% for men and 2% for women). Most people found their job by approaching potential employers directly or through friends and family (Figure 5.1). Together these two methods account for 80% of all surveyed adults with paid jobs in both the public and private sector. While the share of people who benefited from government employment agencies is low, there are certain patterns related to migration. Of those found their jobs through a government employment agency, only 6% have plans to emigrate, while a much bigger share of those who did not use these agencies plan to emigrate (17%). Individual characteristics of government employment agency beneficiaries explain this pattern. Beneficiaries are more likely than non-beneficiaries to have higher education levels and to hold jobs in the public sector, which are seen as secure occupations.

Figure 5.1. **Government agencies play a minor role in job seeking among Cambodian IPPMD respondents**

Methods for finding a current job in both public and private sectors



Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933470340

Vocational training programmes have little influence on migration

Technical and vocational education and training (TVET) is seen in Cambodia as one key tool to reinforce the labour force and address the skills mismatch. The importance of TVET in improving skills provision has recently been emphasised further in the 2015-2025 National Employment Policy. The IPPMD survey found that 5% of the labour force surveyed had participated in a vocational training programme in the five years prior to the survey. Members of rural households were more likely to have participated than urban households: 11% versus 5%. Survey findings indicate the most common training programmes to be agriculture related (60% of the 265 surveyed individuals who participated in vocational training), followed by languages (10%) and computers/IT (8%).

Vocational training programmes can affect migration in two different ways. While they might help people secure better jobs in the domestic labour market, they can also make would-be migrants more employable overseas. A comparative study of the ten IPPMD partner countries shows that in most countries the share of people planning to migrate is higher among those who had participated in a vocational training programme than among those who did not (OECD, 2017). This suggests that people participate in vocational training programmes in order to find a job abroad. Cambodia, however, is an exception to this pattern. A slightly lower share of people who took part in training plan to emigrate compared to non-participants. As seen in Chapter 4, the propensity to emigrate is higher among low-skilled occupational groups than high-skilled groups in Cambodia. In this context, vocational training programmes could be promoting upward labour mobility and reducing incentives to look for jobs abroad.

This effect is explored in a regression analysis (Box 5.1).[1] It examines the links between participating in vocational training programmes and plans to emigrate while controlling for other factors, such as unemployment. The results show no evidence of links between vocational training programmes and plans to emigrate (Table 5.2). Being unemployed however, appears to push people to emigrate.

Public employment programmes may be associated with higher emigration

The National Social Protection Strategy for the Poor and Vulnerable (NSPS) is one of Cambodia's main policies aiming to give the poor and vulnerable access to food, sanitation, water, shelter and employment (CARD, 2011). Various public employment programmes (PEPs) – e.g food-for-work and cash-for-work schemes – have been implemented to provide work opportunities for the poor and vulnerable, while also helping to improve physical infrastructure and human capital in communities. These programmes are funded by the government and its development partners.

PEPs can either increase or decrease the incentives to migrate. Programmes which improve local employment opportunities may encourage people to stay. In rural areas in particular, public works programmes for agricultural workers during the farming off-season can provide an alternative to seasonal migration. On the other hand, the increased income received from cash-for-work programmes can help people afford to migrate. Overall, the impact of PEPs on migration is likely to depend on their duration, coverage and income level.

Results of the IPPMD household survey in Cambodia indicate low participation in these cash-for-work and food-for-work programmes among employed and unemployed people (3%). They are more popular among people in rural areas (4%). People from emigrant households are slightly more likely to have benefited from these programmes than those from non-migrant households (4% vs. 3%). While further analysis cannot be made due to the small sample size, this pattern also reflects the findings of the community survey. Of the surveyed communities, 21% offered public employment programmes. The average share of households with emigrants is higher in the communities with public employment programmes (25%) than those without (21%).

Box 5.1. **The links between vocational training programmes and plans to emigrate**

To investigate the link between participation in vocational training programmes and having plans to emigrate, the following probit model was used:

$$Prob(plan\_mig_i) = \beta_0 + \beta_1 voc\_training_i + \gamma_1 controls_i + \gamma_2 controls_{hh} + \delta_r + \varepsilon_i \quad (1)$$

where $plan\_mig_i$ represents whether individual i has a plan to emigrate in the future. It is a binary variable and takes a value of 1 if the person is planning to leave the country. $voc\_training_i$ is the variable of interest and represents a binary variable indicating if the individual participated in a vocational training programmes in the five years prior to the survey. $controls_i$ stands for a set of control variables at the individual level and $controls_{hh}$ for household level controls.[a] δ_r implies regional fixed effects and ε_i is the randomly distributed error term. The model has been tested for two different groups: men and women. The coefficients of variables of interest are shown in Table 5.2.

Table 5.2. **Vocational training programmes are not associated with plans to emigrate**

Dependent variable: Individual has a plan to emigrate
Main variables of interest: Individual participated in a vocational training programme
Type of model: Probit
Sample: Labour force in working age (15-64)

Variables of interest	Sample		
	All	Men	Women
Individual participated in a vocational training programme	0.018 (0.023)	0.048 (0.038)	0.002 (0.029)
Household has at least one emigrant	0.001 (0.010)	-0.000 (0.016)	0.001 (0.013)
Individual is unemployed	0.191*** (0.044)	0.240*** (0.065)	0.139** (0.061)
Number of observations	4 230	2 035	2 195

Note: Results that are statistically significant are indicated as follows: ***: 99%, **: 95%, *: 90%. Standard errors in parentheses.

a. Control variables include age, sex, education level of individuals and whether the individual is unemployed or not. At the household level, the household's size and its squared value, the dependency ratio, its wealth indicator and its squared value are controlled. Whether the household has an emigrant or not is also controlled.

Agricultural policies and migration

Agricultural policies may also influence migration and remitting decisions. The Cambodian government has been active in enacting policies to boost the agricultural sector and reduce poverty for those working in it. Given agriculture's important share in the country's GDP and labour force (Chapter 4), the agricultural sector is highlighted as one of six key pillars in its 2014-2018 National Strategic Development Plan (MOP, 2014). Specifically, the government's goals for agriculture include:

1. improving productivity, diversification and commercialisation
2. promoting livestock farming and aquaculture
3. enacting land reform
4. sustainably managing natural resources.

The largest and most dominant agricultural programme is the Rice Export Policy, enacted in 2010, which aimed to promote rice as a major export commodity from an export base of near to zero in 2010 (OECD and WTO, 2011). This ambitious five-year plan specifically aimed at increasing production and post-harvest processing by attracting foreign direct investment, using better and more efficient inputs, expanding irrigation, modernising farming techniques and improving land titling. In the end, Cambodia fell short of its objective of exporting one million tons of rice by 2015, but the programme served as an important boost to the sector. For instance, the national rice milling capacity rose from 95 tons of paddy per hour in 2009 to 854 tons of paddy per hour in 2015 (Thath, 2016; World Bank, 2016a). Many of Cambodia's programmes involve agricultural subsidies, which typically target subsistence or vulnerable farmers. For instance, the Emergency Food Assistance Project (EFAP), which began in 2008, offers productivity enhancement support by distributing subsidised quality seeds (among other things). The government has also provided subsidised rice seeds during crises, such as the massive flood that occurred in 2011 (FAO, 2014).

The survey collected data on whether households had benefitted from a variety of agricultural programmes, as well as recording each year in which they had benefited between 2010 and 2014. The question on participation in agricultural-related programmes was stated as the following: "In each of the listed years, did anyone in the household participate in the following programme?" In terms of subsidies, the questionnaire asked households whether they benefited from (1) subsidies for seeds, (2) subsidies for agricultural labour and (c) subsidies for other inputs. The results presented here relate to households that answered yes to any of the above types of subsidies.

Overall, 136 of the 1 671 agricultural households in the IPPMD sample (8%) had benefited from agricultural subsidies at least once between 2010 and 2014 – mostly for seeds. In addition, 322 households (19%) had a member participate in agricultural training. Very few households (less than 1%) had participated in an insurance-based programme. However, data on other types of insurance mechanisms were also collected. Among these, 137 households (10%) had received financial aid following crop loss, 423 arable farming households (32%) had the certificate of their agricultural land title and 31 (2%) were members of an agricultural cooperative.

Because of their pertinence to current policy in Cambodia, the analysis focuses on agricultural subsidies. It is not always clear whether agricultural subsidies have a net positive or negative effect on migration and remittance flows. By increasing the household's income, they reduce financial constraints. In doing so, they may reduce the household's need to seek income elsewhere, and thus reduce emigration pressure. On the other hand, they may provide enough additional income to cover the costs of emigration. Or they may provide the incentive for households to invest and channel funds towards agricultural activities, thus increasing the need for remittances, or they may make them less necessary, thereby reducing their flow. What does the IPPMD data analysis tell us about these effects of subsidies on migration?

Agricultural subsidies are linked to emigration

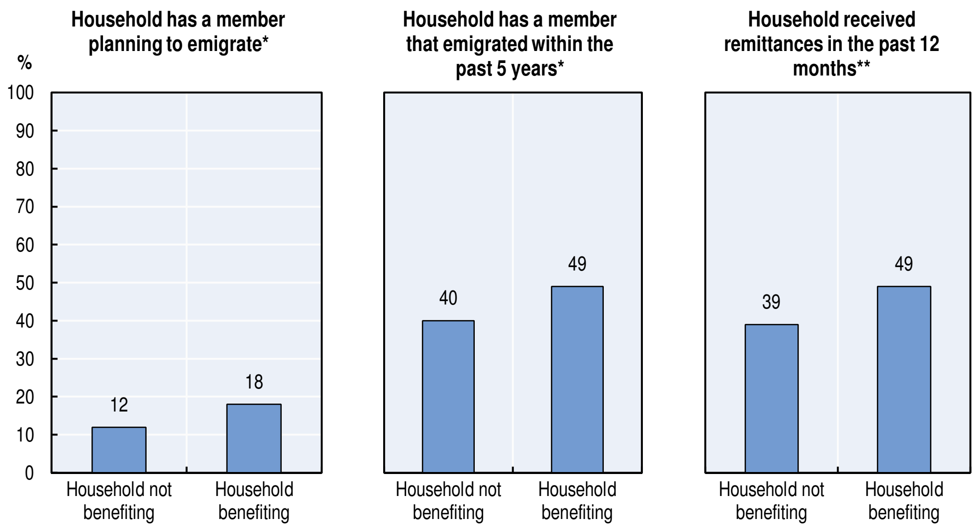
The descriptive statistics suggest that households benefiting from agricultural subsidies were more likely to have a member plan to emigrate within the next 12 months than non-benefitting households (18% vs. 12%, Figure 5.2).[2] They were also more likely to have had a member emigrate in the past five years (49% vs. 40%, Figure 5.2) (The difference becomes 45% vs. 37% if households with emigrants that left prior to those five years are included in the sample). Regression analysis was used to determine whether these subsidies were linked to migration-related decisions in a more robust way (Box 5.2). The regression results, which control for household wealth, suggest that the subsidies may enable households to afford to send a member overseas, as the coefficient for the variable of interest (benefiting from agricultural subsidies in the past five years) is positive and statistically significant.

The descriptive results also show that households receiving agricultural subsidies were more likely to receive remittances than those without subsidies (49% vs. 39%, Figure 5.2). This is also confirmed by regression analysis in Table 5.3. By providing households with the means to produce and invest in their land through, for example, quality seeds, subsidies may be providing the incentive for emigrants to send remittances home to enable households to capitalise on this investment. However, pushing the analysis deeper by controling for whether households also have an emigrant suggests that the link between agricultural subsidies and migration is driven by emigration, and not by remittances. This is not surprising given that most emigrant households also receive remittances in Cambodia. Agricultural subsidies do not, however, have any impact on the amount of remittances sent.

Because the amount and decision to remit depends highly on the host country,[3] the two regression models were also applied to the subsample of households receiving remittances from former members where at least one former member is living in Thailand, a neighbouring country. The results are similar, but the link is even stronger (not shown). On the other hand, there is no such link for the households with an emigrant living in a country other than Thailand (not shown). Overall, these findings show that efforts to boost the agricultural sector may be undermined, as they also enable emigration from the sector.

Figure 5.2. **Agricultural subsidies are linked to emigration**

Share of households benefiting from an agricultural subsidy (%), by migration outcome



Note: Results that are statistically significant are indicated as follows: ***: 99%, **: 95%, *: 90%. Only members planning to emigrate within the next 12 months are considered in the furthest left panel.

Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933470359

Box 5.2. **The links between agricultural subsidies and migration**

To explore the links between agricultural subsidies and migration, the following probit regression model was estimated:

$$Prob(mig_{hh}) = \beta_0 + \beta_1 agri\_subsidy_{hh} + \gamma controls_{hh} + \delta_r + \varepsilon_{hh} \quad (2)$$

where the unit of observation is the household *hh* and the dependent binary variable mig_{hh} takes on a value of 1 if the household has had a migration-related outcome take place and 0 otherwise. $agri\_subsidy_{hh}$ represents a dummy variable taking the value of 1 if the household benefited from an agricultural subsidy. $controls_{hh}$ stands for a set of household-level regressors[a] and δ_r represents a regional fixed effect. Standard errors, ε_{hh}, are robust to heteroskedasticity.

A second ordinary least squares (OLS) model was also estimated to measure whether agricultural subsidies affect the amount of remittances sent:

$$\mathrm{Ln}\left(amnt\_remit_{hh}\right) = \beta_0 + \beta_1 agri\_subsidy_{hh} + \gamma controls_{hh} + \delta_r + \varepsilon_{hh} \quad (3)$$

Box 5.2. **The links between agricultural subsidies and migration** *(cont.)*

where the dependent variable is continuous and equal to the logged amount of remittances sent by former household members, but the rest of the variables remain the same.

Table 5.3. **The link between subsidies and remittances is positive and significant**

Dependent variable: Migration outcomes
Main variables of interest: Household benefited from an agricultural subsidy
Type of model: Probit
Sample: Agricultural households

Variables of interest	Dependent variables			
	(1) Household has a member planning to emigrate (equation 2)	(2) Household has a member leave within 5 years (equation 2)	(3) Household received remittances in the past 12 months (equation 2)	(4) Logged amount of remittances sent in the past 12 months (equation 3)
Benefited from an agricultural subsidy in the past 5 years	0.060* (0.035)	0.103** (0.050)	0.094** (0.046)	-0.037 (0.133)
Number of observations	1 671	1 446	1 671	598

Note: Statistical significance is indicated as follows: ***: 99%, **: 95%, *: 90%. Coefficients from probit model estimations reflect marginal effects. Standard errors are in parentheses and robust to heteroskedasticity.

a. Control variables for the model estimation presented here include the household's size, its dependency ratio (number of children 0-15 and elderly 65+ divided by the total of other members), the male-to-female adult ratio, its wealth estimated by an indicator (Chapter 3) and whether it is in a rural or urban region.

Education policies and migration

The relationship between education policies and migration is multidimensional. As shown in Chapter 4, migration has both positive and negative effects on education outcomes: remittances tend to be invested in children's schooling, while the prospect of future emigration is linked to early school dropouts. Simultaneously, education policies may have both positive and negative influences on migration decisions. Policies to improve access to quality education can decrease emigration motivated by the desire to finance children's education. In particular, cash-based education programmes such as conditional cash transfers and scholarships could ease the pressure to earn extra income to pay for children's schooling and thus reduce incentives to emigrate. On the other hand, they might have the opposite effect by giving the household the financial means to allow a member to emigrate. Receiving financial support for children's education could also affect the amount and frequency of remittances sent home. This section analyses these effects for a range of education polices on migration and remittance patterns in Cambodia.

Education programmes do not appear to be linked to emigration decisions

One of the strategic goals of Cambodia's educational policy 2014-18 is to ensure equitable access to education. Programmes such as scholarships and school meal programmes, distribution of textbooks and Take-Home Ration programmes[4] aim to increase school enrolment rates, especially by poor and vulnerable children. The provision of textbooks aims to provide students with textbooks for all subjects from grades 1 to 12. Scholarships, school meal programmes and Take-Home Rations contribute to Cambodia's educational policies as well as to the National Social Protection Strategy for the Poor and Vulnerable. The aim is to provide cash and in-kind (food) assistance to poor students to enable them to attend school. However, achieving wide coverage of scholarship and school feeding programmes remains a challenge. For example, a shortfall of funds for the Take-Home Ration programme has meant that not all poor areas are covered.

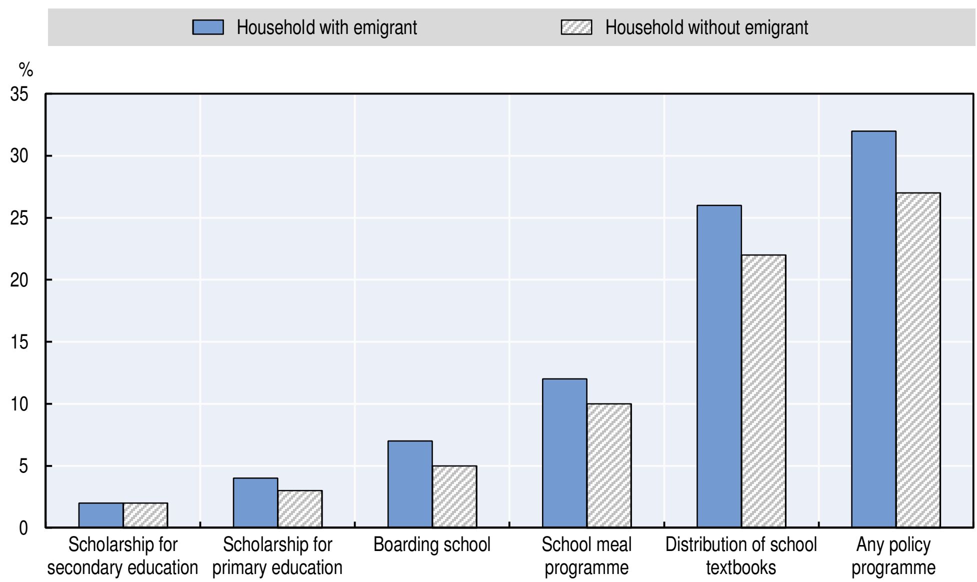
The IPPMD household survey included questions on both in-kind and cash-based programmes targeting primary and secondary schooling (Figure 5.3). Households were asked if any members had benefited from any of the specified programmes in the five years prior to the survey.

Overall, 29% of the surveyed households had benefited from an education support programme of some kind. The most common support was the distribution of school textbooks (23% of households), while 11% of households benefited from school meal programmes. Very few households benefited from scholarships, which is the only cash-based programme in the survey. Descriptive statistics also suggest that households with at least one emigrant were more likely to have benefitted from an education programme (Figure 5.3). In other words, households not benefiting from education programmes are less likely to have a member abroad. This could suggest that households use the financial support from education programmes to finance emigration. To investigate this further it is necessary to control for other factors, such as household wealth, size and number of dependent children, which might influence the decision to emigrate. This was done using a regression analysis summarised in Box 5.3.

The regression results show only a weak link between education programmes and emigration decisions. Although there is a positive relationship between benefitting from an education programme and receiving remittances (column 3), the relationship is no longer significant when including a control for having an emigrant (column 4). The results do not show any statistically significant association between benefiting from an education programme and intentions to emigrate. The weak link between education policies and emigration decisions may be explained by the nature of the programmes. The education policies in Cambodia are to a large extent distribution programmes – for example school textbooks and school meals – rather than cash-based. As discussed, cash-based programmes may have a stronger effect on migration decisions as they decrease the incentives to emigrate to finance education. However, there was no significant link between cash-based scholarship programmes and migration outcomes. This is potentially partly explained by the low coverage of such programmes (Figure 5.3) as few households benefited from scholarship programmes.

Figure 5.3. **Households with emigrants are more likely to have benefited from an education programme**

Share of households benefiting from an education policy (%), by having an emigrant or not



Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933470360

Box 5.3. **The links between education policies and migration**

To estimate the impact of education support programmes on the decision to emigrate, the following probit equation was applied:

$$Prob(mig_{hh}) = \beta_0 + \beta_1 edu\_policy_{hh} + \gamma controls_{hh} + \delta_r + \varepsilon_{hh} \qquad (4)$$

where mig_{hh} represents household migration status, being a binary variable for the household either having at least one member planning to emigrate in the future (specification 1), having at least one emigrant who left in the five years prior to the survey (specification 2), or receiving remittances (specification 3 and 4). edu_policy_{hh} is the variable of interest and represents a binary variable indicating if the household

Box 5.3. **The links between education policies and migration** *(cont.)*

benefited from an education policy in the five years prior to the study (results presented in the upper part of the table). It takes on a value of "1" if the household has benefited from an education policy programme and "0" otherwise. Cash-based programmes (scholarships for primary and secondary education) are also analysed separately (results presented in the lower part of the table). edu_policy_{hh} is the variable of interest and represents a binary variable indicating if the household benefited from any education policy in the five years prior to the study. It takes on a value of "1" if the household had benefited from an education support programme and "0" if not. $controls_{hh}$ are a set of observed individual and household characteristics influencing the outcome.[a] δ_r represents regional fixed effects and ε_{hh} is the randomly distributed error term.

Table 5.4. **The links between education programmes and migration dimensions are weak**

Dependent variable: Household with emigrant/member planning to emigrate

Main variables of interest: Household benefited from education programme

Type of model: Probit

Sample: All households

Variables of interest	Dependent variable			
	(1) Plan to emigrate	(2) Household has an emigrant	(3) Household receives remittances	(4) Household receives remittances (controlling for migration)
Household benefited from any education programme in the past 5 years	0.016 (0.025)	0.043 (0.026)	0.053** (0.026)	0.018 (0.015)
Number of observations	1 398	1 880	1 940	1 940
Cash-based programmes				
Household benefited from scholarship programme	-0.028 (0.042)	0.043 (0.026)	-0.015 (0.049)	-0.016 (0.027)
Number of observations	1 940	1 880	1 940	1 940

Note: Statistical significance is indicated as follows: ***: 99%, **: 95%, *: 90. Standard errors are in parentheses and robust to heteroskedasticity. The sample is restricted to emigrant households with a member who emigrated abroad in the past five years in order to capture the timing of the migration decision and the policy intervention. Analysis was also performed on a sub-sample of households with children in school age (6-20 years), which did not affect the results.

a. The control variables include household size, household dependency ratio (defined as the number of children and elderly in the household as a share of members in working age), the mean education level of adults in the household, the number of young children (aged 6-14) and the number of youth (aged 15-17) in the household, a binary variable for urban location, and an asset index aiming to capture household wealth.

Investment and financial services policies and migration

Cambodia has undergone significant change in its investment and financial regime over the last three decades, from a regime controlled by the state to a more open policy. This transition has brought major shifts in favour of international trade, investment and private sector development, as well as in building solid economic foundations, such as macroeconomic stability, economic openness and a more favourable investment climate.

In parallel, the financial sector has seen substantial change, including structural reforms and the development of a financial service sector. Structural reforms were initiated in 1989 through a government decree establishing a two-tier banking system which separated out the function of commercial banks from the National Bank. Foreign banks have been permitted since 1991, and significant progress has been made in transforming financial institutions to create a market-based, private sector-dominated sector. The banking sector has grown rapidly in terms of the number of banks and services provided. In the same vein, microfinance institutions have expanded to fulfil the greater demand for financial services, especially in rural areas. In 2014, the number of commercial and specialised banks was 44, with 556 local offices nationwide. There were 36 microfinance institutions, with more than 100 000 village-level offices and a consequent wider geographical coverage than banks (National Bank of Cambodia, 2016).

Despite the rapidly expanding financial sector, the shares of individuals with a bank account and savings in a financial institution are still lower in Cambodia than in other Association of Southeast Asian Nations (ASEAN) countries. Only about 22% of adults (people over 15 years old) have a bank account and only 4% reported having savings in a financial institution, considerably lower than most other countries in the region (World Bank, 2016b).

Access to the formal financial sector translates into higher and more formal remittances

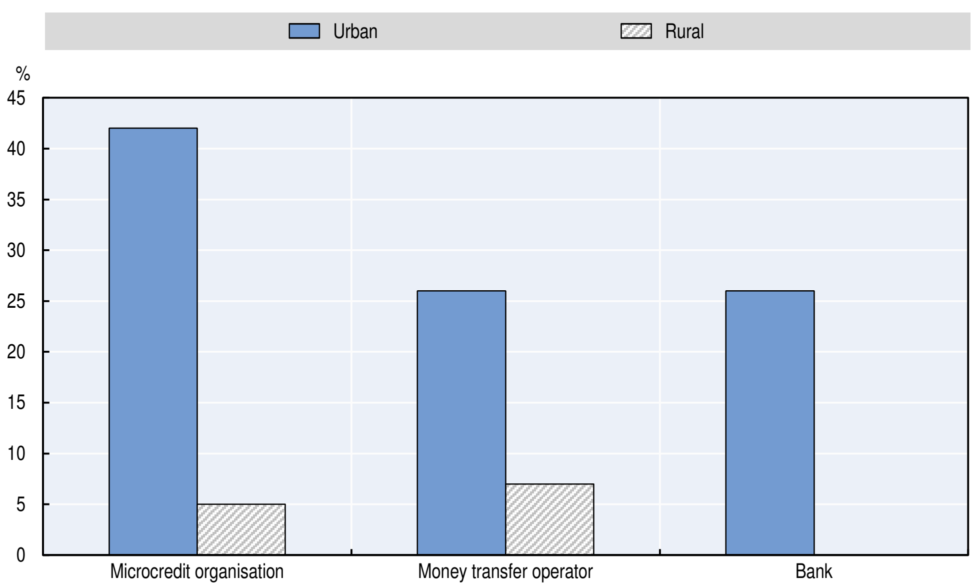
A favourable investment climate and inclusive financial institutions stimulate savings and investments. Access to the formal financial sector may facilitate the sending and receiving of higher volumes of remittances, and especially through formal channels. Remittances sent through formal channels are not only more secure for the sender and the receiver, they can also contribute to developing the financial sector and create multiplier effects by making resources available for financing economic activities, which in turn can encourage more productive investments.

To establish households' access to finance, the survey asked whether any member of the household has a bank account. This found that only 6% of surveyed households had a bank account – much lower than the World Bank rate quoted above. This may in part be explained by the sampling strategy, which focused mainly on rural households (81% of the IPPMD sample) and areas with high migration rates, while the capital city – Phnom Penh – was excluded (Chapter 3).

There are other potential explanations for the low rate of bank use. Past upheavals mean that most people have little or no trust in the banking system and do not use formal financial services. The National Bank of Cambodia and other financial institutions are striving to regain people's trust, but progress is slow. There are also culture and knowledge barriers to formal financial services; for example financial literacy is very low. When it comes to credit, many people, especially in rural areas, turn to informal sources of finance at substantially higher interest rates. In many communities non-government organisations (NGOs) act as financial co-operatives and operate saving funds. The IPPMD community survey also shows low coverage by financial service institutions (microcredit organisations, money transfer operators and banks) in the surveyed communities, particularly in rural areas (Figure 5.4). None of the sampled rural communities has a bank branch, and less than 10% have money transfer operators or microcredit organisations.

Figure 5.4. **Financial service institution coverage is low in rural areas**

Share of communities with financial institutions (%)



Note: No rural community in the sample has a bank.

Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933470378

Descriptive statistics show that households without access to a bank account are more likely to receive remittances through an informal channel (38%) than households with access to a bank account (17%) (not shown here). Households that have a bank account are also more likely to have participated in financial training in the past five years (23% compared to 4% for households without a bank account). These patterns indicate the importance of access to formal financial institutions for allowing remittances to be sent through formal channels.

Regression results presented in Box 5.4 support the hypothesis that wider access to financial institutions translates into positive effects on the mode of remittance sending and the amount of remittances sent. Having access to a bank account is positively and significantly associated with a higher amount of remittances received by the household and lowers the likelihood of receiving remittances through informal channels (Table 5.5). Thus, expanding financial inclusion could stimulate higher amounts of remittances, and channel more remittances into the formal financial sector.

Migrant households are less likely to have participated in financial literacy programmes

Financial literacy is still relatively weak in Cambodia. The country's Financial Sector Development Strategy 2011-2020 highlights the low financial literacy of current clients of financial institutions, as well as the population in general (ADB, 2012). It has proposed a programme for promoting financial literacy. Financial constraints mean, however, that government-provided financial literacy programmes are not widespread. There are also several basic financial literacy and saving group programmes co-ordinated and financed by NGOs in the country. Their coverage is not nationwide either. The data show that the share of surveyed households benefiting from financial training programmes varied between 1-11% depending on the province. The overall participation rate among all households in the survey was less than 5% (4.6%). The share of households benefiting from this type of training was higher among households without emigrants (6%) than households with an emigrant (4%). The same pattern is, naturally, observed across households with and without remittances, with remittance-receiving households slightly less likely to have benefited from financial training.

Better knowledge about savings and investment possibilities can encourage people to channel remittances into productive investments such as real estate and businesses.

Box 5.4. **The links between bank accounts and remittance-sending behaviour**

Regression analyses were applied to estimate the link between bank accounts on remittance patterns, using the following two models:

$$Prob(informal\_remitt)_{hh} = \beta_0 + \beta_1 bank\_account_{hh} + \beta_2 controls_{hh} + \delta_r + \varepsilon_{hh} \quad (5)$$

$$Ln(amount\_remitt)_{hh} = \alpha\beta_0 + \beta_1 bank\_account_{hh} + \beta_2 controls_{hh} + \delta_r + \varepsilon_{hh} \quad (6)$$

where the dependent variable in model (1) represents the probability of receiving informal remittances, and In model (2) the amount of remittances the household receives. $bank\_account_{hh}$ represents a binary variable indicating if the household has a bank account, where "1" denotes a household with a bank account and "0" if not. *controls* are a set of observed household and individual characteristics influencing the outcome.[a] δ_r represents regional fixed effects and ε_{hh} is the randomly distributed error term.

Table 5.5. **Access to a bank account channels more remittances into the formal financial sector**

Dependent variable: Amount of remittances received/household receives formal remittances
Main variables of interest: Household has a bank account
Type of model: Probit/OLS
Sample: All households receiving remittances

Variables of interest	Dependent variables	
	(1) Amount of remittances received	(2) Household receives informal remittances
Household has a bank account	1 642*** (291)	-0.135** (0.066)
Number of observations	691	773

Note: Statistical significance is indicated as follows: ***: 99%, **: 95%, *: 90%. Standard errors are in parenthesis and robust to heteroskedasticity.

a. The control variables include household size, household dependency ratio (defined as the number of children and elderly in the household as a share of members in working age), the mean education level of adults in the household, the number of young children (aged 6-14), a binary variable for urban location and female household head, and an asset index aiming to capture household wealth.

Conclusions

This chapter identifies some clear links between sectoral policies and migration in Cambodia. The investigation into the influence of labour market policies on migration decisions finds that government employment agencies tend to curb emigration by providing people with better information on the Cambodian labour market. Public employment programmes (PEPs) on the other hand, are found to be associated with higher emigration. Increased income received through PEPs may be financing emigration. Vocational training programmes however are found to have no link with migration.

Education policies did not seem to have any significant effects on household migration decisions. This result is likely in part explained by the nature of the policy programmes examined in the survey, which were mainly in-kind support and of fairly limited coverage. For education polices to affect emigration decisions they would need to be more significant in their effect, as well as more widespread.

While the use of remittances is a private household decision, public policies can help increase the probability that they are sent in the first place, as well as influence how they are sent. For example, agricultural subsidies, which are an important component of the Cambodian government's agricultural policy, may encourage emigrants to send remittances to the benefiting household to help maximise the opportunities offered by the subsidies. In addition, access to banking services is linked to greater amounts of remittances and also to their transfer through formal channels, which can help boost their productive use.

Financial inclusion has positive effects on remittance patterns. As well as being linked to greater amounts of remittances, having a bank account reduces the transfer of remittances through informal channels. Yet, bank use is very low in Cambodia, and many current and future remittance receivers lack access to formal bank accounts. Policies to increase access to bank accounts could hence stimulate the sending of remittances and channel remittances into formal financial institutions.

Furthermore, participation in financial training programmes is very low among migrant as well as non-migrant households in the sample, despite NGO and government initiatives to implement them. There is scope to expand the access to bank accounts and financial training programmes among households in order to encourage more remittances sent through formal channels and to enable households to make productive investment.

Notes

1. See Chapter 3 for methodological background on the regression analyses used in this project.
2. Note that when it comes to individuals planning to emigrate in general (not only those planning to emigrate within the next 12 months), there is no statistically significant difference between benefitting and non-benefitting households.
3. There are many reasons for this. First, incomes in richer countries may be higher and therefore allow migrants to send more money home. Second, the infrastructure in richer countries may also be more developed, and allow a quicker, easier and cheaper transaction than in poorer countries. In fact, remittances from less developed countries may even be underreported since emigrants may choose to carry their remittances

over by hand, or choose informal channels, often through a private courier. On the other hand, emigrants in richer countries may be participating in a formal circular migration scheme, which allows them to return home and remit part of their earnings by hand.

4. The Take-Home Ration Programme, supported by the World Food Program (WFP), promotes universal access to primary education and increased enrolment, retention and graduation, by providing monthly food rations of rice to children from poor families in selected grades.

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OECD Development Pathways

Interrelations between Public Policies, Migration and Development in Cambodia

The *OECD Development Pathways* series helps developing and emerging economies to identify innovative policy solutions to their specific development challenges. Higher levels of well-being and more equitable and sustainable growth cannot be achieved by merely reproducing the experience of industrialised countries. For each of the countries studied, the series proposes options for action in specific policy areas and at the broader strategic level. It identifies the binding constraints to development across all sectors and proposes whole-of-government solutions.

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The results of the empirical work confirm that even though migration contributes to the development of Cambodia, the potential of migration is not fully exploited. One explanation is that migration only appears to a very limited extent in the National Strategic Development Plan. Many policy makers in Cambodia do not sufficiently take migration into account in their respective policy areas. Cambodia therefore needs to adopt a more coherent policy agenda to do more to integrate migration into its National Strategic Development Plan, improve co-ordination mechanisms and strengthen international co-operation. This would enhance the contribution of migration to development in the country.

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