THE IMPACT OF REMITTANCES ON EDUCATION SPENDING IN THE PHILIPPINES

MARQUETTE UNIVERSITY
BE THE DIFFERENCE.

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INTRODUCTION

- The Philippines has a long history of labor migration and has a diaspora of more than 10 million people around the world.
- Remittances are important for economic growth in developing countries and are also important at the household level.
- Understanding how households spend remittances reveals how they tend to *view* remittances, which has important policy implications.
- **Main research question: "How do remittances sent to the Philippines impact household spending on all levels of education over time?"**

DATA

- Project uses household survey data from the Philippine Statistics Authority's **Family Income and Expenditure Survey** (FIES).
- FIES Data in data set was collected between **1985 and 2018** (e.g. 1985, 1988, until 2018).
- Final sample used in this project contains **399,283 households**.
- All monetary values are in **Real 2018 Philippine Pesos**.

METHODOLOGY

- Ordinary Least Squares (**OLS**) estimation method.
- Main regression model is **Working-Leser model**, which dominates in remittance literature.

$$y_{it} = \beta_0 + \beta_1 International\ Remittances_{it} + \beta_2 Domestic\ Remittances_{it} + \beta_3 log(Total\ Expenditure)_{it} + x'_{it}\beta + z'_{it}\lambda + \gamma_t + \varepsilon$$

- y is education spending as a share of total household expendtiure
- variables in x are household head characteristics
- variables in z are household characteristics
- year-fixed effects are included
- Additional regression models use the level and natural log of education spending as dependent variables, respectively.

RESULTS

	(1) Share of Education Spending	(2) Education Spending	(3) log(Education Spending)
Household Receives International Remittances	0.00414*** (0.000196)	1,870*** (165.0)	0.336*** (0.00875)
Household receives domestic remittances	0.00151*** (0.000149)	-136.3 (120.7)	-0.0597*** (0.00696)
Observations	399,283	399,283	293,798
R-Squared	0.145	0.279	0.348
***p<0.01			

MAIN FINDINGS

- **Households with international remittances have a higher share of education spending than households without remittances.**
- **Size of this effect is small.**
- Mixed results for domestic remittances.
- Female household heads spend more on education than male household heads.
- Household heads with higher levels of education spend more on education than household heads with little to no education.
- Negative relationship between number of school-age children and education spending.

CONCLUSION

- Positive relationship between international remittances and household education spending.
- Filipino households tend to view remittances as transitory, which means they will tend to spend remittances on human capital goods.
- Filipino lawmakers should increase government provision of these goods or at least make them more affordable to ensure that households without remittances have access to them.

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