Innovations for Poverty Action

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Sample Size
991 migrant student pairs

Data Repository
https://dataverse.harvard.edu/dataset.xhtml?persistentId=doi%3A10.7910/DVN/TXSK...

Research Implemented by IPA
No

Channeling Remittances to Education in El Salvador

Key Finding Lead Phrase

Subsidizing Salvadoran migrants' remittances for education increased spending on education and attendance at private schools for their female relatives in El Salvador.

Abstract

As education subsidies become more common, policymakers are looking for alternative sources of funding to cover the costs for such programs. One potential source is remittances from family members who have emigrated, which are one of the largest types of international financial flows to developing countries. Researchers found that subsidizing Salvadoran migrants' remittances for education increased spending on education and attendance at private schools for their female relatives in El Salvador.

Policy Issue

In the past decade, there has been an increasing recognition of the importance of education for social welfare and national economic growth. Subsequently, there has been a large push to increase enrollment and learning in schools. Until recently, interventions to improve schooling outcomes have typically taken the form of supply-side reforms, such as improving infrastructure, materials, or teachers. Policy attention has since shifted towards demand-side interventions, such as conditional cash transfers (CCTs) and private school vouchers, which either lower the costs or increase the immediate benefits to households when deciding whether or how to educate their children. As education subsidies become more common, policymakers are looking for alternative sources of funding to cover the costs for such programs. One potential source is remittances from family members who have emigrated, which are one of the largest types of international financial flows to developing countries, totaling more than US$400 billion in 2012. More research is needed to determine if remittances can be leveraged to increase household investments in children's education.

Context of the Evaluation

El Salvador's primary school enrollment rate was 95 percent in 2009, but a large proportion of students drop out before reaching middle or secondary school. In 2009, enrollment rates in middle and secondary school were only 56 and 32 percent, respectively. Although public schools are free, older students are often required to travel farther to attend school than primary school students, and must buy their own books, uniforms, and school supplies. Middle and secondary school students in El Salvador may also have fewer incentives to stay in school than their younger counterparts, since they do not benefit from Red Solidaria, El Salvador's national CCT program that rewards households for enrollment in primary school but not for middle or secondary school.

Economic hardship, civil war, and natural disasters have forced millions of Salvadorans to migrate abroad since 1979. In 2010, more than twenty percent of El Salvador's population was living abroad, with 1.1 million emigrants living in the United States. Migrants living abroad sent US$3.6 billion in remittances back to El Salvador in 2010, accounting for 16 percent of the country's Gross Domestic Product (GDP). In comparison, El Salvador received US$800 million in foreign direct investment (FDI) and US$200 million in development aid that year.

Details of the Intervention

Researchers conducted a randomized evaluation to test if channeling remittances towards education and offering students matching contributions to the remittance payments they received affected the amount of money they spent on education. Researchers created a new type of remittance transfer called EduRemesa in partnership with FEPADE, an educational foundation in El Salvador, and Viamericas, a money transfer company. EduRemesas offered Salvadoran migrants a way to channel money towards the secondary or tertiary education of a particular student in El Salvador for the 2012 school year. EduRemesas were available in fixed amounts of US$300 or US$500 for secondary school students and US$600 or US$800 for students pursuing higher education. Students received an ATM card from FEPADE and transfers were deposited directly into the student's account in ten equal monthly payments. The money was intended to be used for education-related expenses, but this was not enforced, although students were required to prove they were enrolled in school.

In late 2011 and early 2012, researchers approached migrants waiting for services at Salvadoran consulates in the Washington, DC area and offered them the opportunity to participate in the program. Each migrant was given the chance to enter the contact information of a student in El Salvador into a lottery to receive a US$500 scholarship for the coming school year. This method was used to identify the student that the migrant would most likely support with the EduRemesa. These “target students” formed the pool of students in both the treatment and comparison groups who were surveyed during a follow-up.

Once participants and students were identified, approximately two thirds of the migrants were randomly chosen to be offered an EduRemesa, while the remaining one third served as a comparison group. Migrants in the comparison group received a handout that suggested sending monthly remittances directly to students (as opposed to their parents) as an effective way to support education in El Salvador.
Participants in the EduRemesa group were randomly offered one of three treatments:

EduRemesa with fee waiver: Participants received the same handout as the comparison group, a pamphlet informing them of the EduRemesa program, and a coupon exempting them from paying the administrative fees usually charged by FEPADE.

EduRemesa with one-to-one match subsidy: Participants received the handout, the EduRemesa pamphlet, and a coupon. In addition to being exempted from administrative fees, they were also offered a one-to-one match on every dollar they sent as part of an EduRemesa, effectively allowing them to purchase EduRemesas at half price.

EduRemesa with three-to-one match subsidy: Participants received the handout, the EduRemesa pamphlet, and a coupon exempting them from administrative fees and offering a three–to-one match subsidy, effectively allowing them to purchase EduRemesas for one quarter of the price.

Researchers collected information on remittances sent, target students’ education and work status, and information on the education of other students in target students’ households in order to measure the effects of EduRemesas.

Results and Policy Lessons

Forty-one program participants sent a total of 52 EduRemesas to 52 students in El Salvador. Of the migrants offered the three-to-one match, 31 (18.5 percent of those offered this treatment) chose to send an EduRemesa. The three-to-one match group sent a total of 40 EduRemesas. Ten (6.9 percent) of those offered the one-to-one match sent EduRemesas, and no one from the fee waiver treatment group or the comparison group sent EduRemesas. Migrants appeared to take advantage of the match offer by sending the largest amount available for each grade level. Twenty-eight of the 34 EduRemesas sent for secondary schooling were worth US$500 and 13 of the 18 sent for tertiary schooling were worth US$800.

Impact on educational expenditures: Offering EduRemesas to migrants increased the education spending of their relatives in El Salvador, especially for female students. Target students in the three-to-one match group spent an average of US$301 more on educational expenses than those in the comparison group (a 22 percent increase), and female recipients spent US$509 more than the comparison group (an increase of 36 percent). The increase in spending was used mainly on tuition, transportation, and food and was not offset by a reduction in expenditures on other students in the household. Additional money received from the EduRemesas appeared to be supplemented by an increase in spending on education by the household in El Salvador. For every dollar received through an EduRemesa, education spending increased by US$3.72 for the average target student.

Impact on other target student outcomes: EduRemesas did not have a significant impact on school enrollment, but they greatly reduced the likelihood that both male and female students were working outside of school. Target students in the three-to-one group were 14 percentage points (64 percent) less likely to be working than those in the comparison group. Female target students in the three-to-one EduRemesa groups were 18 percentage points more likely to attend private school relative to the comparison group mean of 26 percent. This suggests that the increased expenditures on tuition caused by EduRemesas were due to an increase in attendance at private schools among female students.

Impact on remittances: EduRemesas did not have a significant effect on overall remittance flows, suggesting that Salvadoran households increased education expenditures by allocating a larger share of remittance flows to education, by borrowing, by increasing earnings, or by acquiring funding from some other source.

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