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Timeline
2018-2020

Sample Size
4,458 Filipino migrants living in the United Arab Emirates, and the households of 2,075 of these migrants in the Philippines

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

Research Implemented by IPA
Yes

The Impacts of Labeling Remittances on Migrants and Their Households in the Philippines

Abstract

Remittances are one of the largest sources of financial flows to low- and middle-income countries, and researchers and decision-makers are interested in ways to increase their development impact. One promising approach is enabling migrants to label the remittances that they send home for a specific purpose, such as education or business activities. This evaluation builds on previous research and analyzed the impact of providing the option of labeled remittances to Filipino workers in the United Arab Emirates on the amount of remittances sent and what those remittances are used for by their recipients. The study found that the ability to label remittances with the migrant's intended uses led migrants with low base levels of remittance activity to increase their remittances, while migrants with higher base remittance levels did not change their remittance behaviors.

Policy Issue

Globally, remittances are one of the largest financial flows into low- and middle-income countries: in 2019, people from low- and middle-income countries living abroad remitted about US$554 billion to their home countries,[1] outpacing Foreign Direct Investment flows from the same year. Given their magnitude, remittances are a resource that could significantly improve a wide range of development outcomes in the countries that receive them. While migrants often prefer that remittances fund investments that have long-term development benefits, they typically have little control over how the money is used by its recipients. In contrast, recipients often prefer to use them for immediate consumption.[2] This, in turn, can discourage migrants from sending substantial remittances. A growing body of evidence suggests that "labeling" remittances to be spent for a specific purpose can encourage recipients to actually spend the money for the specified purpose, particularly education.[3]

Context of the Evaluation

The participants in this study were Filipino workers living in Dubai and Sharjah in the United Arab Emirates (UAE). The Philippines is a notable recipient of remittances: in 2017 its citizens received about US$33 billion—the third-highest amount in the world after India and China.[4] Filipino workers make up about 10 percent of the UAE's population and hold a range of occupations in the country, such as in sales, food service, and office administration.

In a prior "lab-in-the-field" evaluation on this topic, researchers tested the impact of two strategies to direct remittances sent home by Filipino migrants in Italy to be used for education: labeling transfers and sending transfers directly to schools. A product that labeled remittances for education encouraged migrants to send home over 15 percent more money. Giving migrants the ability to send money directly to schools had only a small (and sometimes statistically insignificant) additional impact on the level of remittances, and this complex process was more costly than labeling.[5] Building on this study, researchers sought to assess the impacts of the possibility of labeling remittances on the amount sent and, in turn, on recipients' household expenditures.

Details of the Intervention

For this study, researchers partnered with Innovations for Poverty Action and the remittance company UAE Exchange to conduct a randomized evaluation of the impacts of labeling on the amount of remittances that workers send to the Philippines and how households allocate the remittances they receive.

To enable the sending of labeled remittances, the project team prototyped and developed a smartphone application, Padalapp, that allows migrant workers to record and label remittances from the United Arab Emirates to the Philippines. The app allows users to label remittances for purposes such as education, housing, small enterprises, and savings. The recipient households receive the labels via SMS or other preferred apps, such as WhatsApp.

Surveyors recruited study participants in UAE Exchange branches and public areas frequented by the Filipino migrant community. Following three pilots (February to June 2018) to test and refine the design of Padalapp, survey protocols, and incentive strategies, researchers then launched the first half of the baseline (wave 1) in September 2018 and the second half (wave 2) in February 2019. Though participants were recruited on a rolling basis, all participants partook in the 30-week follow-up period starting from their recruitment into the study.

To evaluate the impact of labeling, researchers provided over 4,400 Filipino migrants with access to Padalapp and randomly assigned half of this group to be able to label their remittances. Those assigned to this group were then randomly selected to receive the labeling feature of the app in either week 6, 7, 8, or 9. For over 2,000 of these participants, researchers identified and measured secondary outcomes for their recipient households, such as total household expenditures, expenditures on food, education, housing, and other categories. To identify which corresponding household in the Philippines to interview, the migrant participants were asked to name and provide contact information for an individual in the Philippines who would be the recipient of a US$500 lottery prize and how to allocate the money across multiple possible categories of expenditures. This served as a proxy for the respondent's perceived priority of household expenditure. Those migrants for whom the labeling feature in Padalapp was not activated served as the comparison group.

Through surveys with both Filipino migrants in the UAE and recipient households in the Philippines, researchers measured migrant participants' use of the app's labeling function, remittance volumes sent by migrants participants, and target household expenditures. Researchers also collected administrative data on remittance amounts collected by UAE Exchange.

Results and Policy Lessons

The study found that the ability to label remittances with the migrant's intended uses led only migrants with low base levels of remittance activity to increase their remittance levels. For migrants who had higher remittance base levels, there was no change in their remittance behaviors.

Baseline income levels also play a role in migrants' remittances: migrants with relatively higher incomes (e.g. above the median) experience significant increases in their remittance levels. There was high take-up in the group participating in the labeling program, and there was a 4.2 percent probability of labeling at least one remittance that week. There was also an increase in the number of labeled remittances per week. The most frequently labeled expenditure categories were food, utility bills, and education expenses.

Researchers also considered the impacts of labeling on household expenditures in recipient households in the Philippines, suggesting that migrants with low-baseline-remittance levels believed that labeling would be effective at shifting household expenditure patterns, and would be expected to send more remittances in response to labeling being available. However, the study found that labeling remittances does not actually lead to higher expenditures on uses that migrants identified as priority items, which was consistent across the full sample and between subgroups based on base level of remittances. In only one area, medical expenses, is there a positive impact on expenditures (25.3 percent). Because this increase in medical expenditures is concentrated among migrants with low base levels of remittances , it is possible the increase in medical expenditures is an impact of the labeling treatment.

Ultimately, there is only mixed or weak evidence that labeling, as implemented for this study, led to actual changes in household expenditures. As a result, migrants may learn that labeling may not have the intended effect on household expenditure and may choose to reduce their remittances, meaning that the positive impact labeling had on remittance sending would be short lived, but this impact declines in the long term. The possibility of declining program effects over the longer term suggests that continuing to monitor remittances of participants over a longer time frame would yield valuable information.

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Sources

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