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

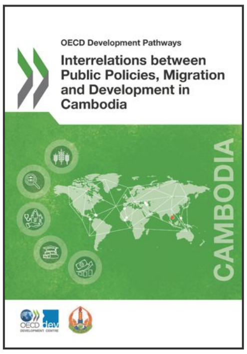
Despite the large amounts of remittances flowing into Cambodia, the research finds that these funds are not being invested productively (other than in education). Similarly, return migration does not seem to boost investments. These are major missed opportunities for a country that is rebuilding much 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.



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