Chapter 5

How do sectoral policies affect migration in Costa Rica?

Sectoral policies in key areas for development, such as the labour market, agriculture, education, financial services and investment and social protection and health can affect migration decisions, and enhance – or decrease – the positive impacts of migration on development. The IPPMD household and community surveys incorporated a wide set of policy programmes in five key sectors to identify links between sectoral policies and migration. This chapter reports on analysis of the ways in which policy programmes in these sectors in Costa Rica influence people's decision to emigrate, immigrate, return 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 what conditions, and those aiming to facilitate the sending and receiving of remittances. However, other policies can also have an influence on migration. The IPPMD project in Costa Rica focuses on policies in sectors that are key for development: the labour market, agriculture, education, investment and financial services, and social protection and health.

Chapter 4 showed that the impacts of the various dimensions of migration on these five sectors vary. The policy context for each of these sectors in turn influences migration outcomes, such as the decision to emigrate and return, the sending and use of remittances, and the integration of immigrants. To date, the impact of sectoral policies on migration remains largely under-researched. This chapter attempts to disentangle the link in Costa Rica between migration and a wide set of policy programmes in the five sectors (Table 5.1).

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

Sectors	Policies / programme
Labour market	● Government employment agencies
	● Vocational training programmes
	● Public employment programmes
Agriculture	● Subsidy-type programmes
	● Agricultural training programmes
	● Insurance-based programmes
	● Land titling
Education	● In-kind distribution programmes
	● Cash-based programmes
	● Other types of education programmes
Investment and financial services	● Policies related to business investments
	● Policies related to financial inclusion and education
Social protection and health	● Policies related to health and social protection
	● Policies related to labour contracts

This chapter is organised by the five sectors under study. It first discusses how migration outcomes are affected by labour market policies, followed by policies governing agriculture, education, investment and financial services, and finally social protection and health.

Labour market policies and migration

While migration affects Costa Rica's labour market through various channels (Chapter 4), labour market policies can also affect households' migration decisions and the integration of immigrants. IPPMD data confirm that the search for jobs is one of the main drivers of emigration from Costa Rica. About 65% of current emigrants report that they left the country to take or search for jobs abroad (Chapter 3). Policies that improve the functioning of the domestic labour market may therefore reduce the incentive to emigrate.

One of the goals of the *Plan Nacional de Desarrollo* (PND) 2011-2014 (MPNPE, 2010), the national plan in place in Costa Rica at the time of the IPPMD survey, was to reduce unemployment. To this end, the PND actions aimed at improving people's employability and access to productive employment in an inclusive manner, and promoting programmes through the National Learning Institute (INA) and the Ministry of Labor and Social Security (MTSS). Some of the MTSS programmes include the following:

- National Program of Assistance to Microenterprises (PRONAMYPE): aims to support micro-entrepreneurs with limited economic resources. It offers training in the sustainable development of micro-enterprises.
- National Employment Program (PRONAE): created in 2000 and aims to improve the living conditions of the population living in or close to poverty. It offers temporary financial aid for participation in community development projects and training programmes, in particular to youth living in vulnerable situations, to improve their labour market insertion.
- *Programa EMPLÉATE*: targets young individuals (aged 17-24) who are not in education or working and therefore in a vulnerable socio-economic situation. It operates though conditional cash transfers to support their technical vocational training in areas which meet the needs of the labour market.

The National Learning Institute (INA) mainly provides training programmes, such as:

- *Programa Empleabilidad*: targets vulnerable groups, such as people with disabilities, young people at social risk and female household heads. It consists of training and facilities for employment insertion.
- *Programa de Fortalecimiento de las MIPYMES (micro, pequeñas y medianas empresas)*: aims to support the development of micro, small and medium enterprises, both rural and urban, through training in management development, financing and market intelligence in order to increase productivity and facilitate access to export markets.

In addition to MTSS and INA, other state institutions have created employment generation activities targeting the unemployed. For example, the Mixed Institute of Social Assistance (IMAS) offers unemployed individuals small

payments to perform public works during a limited time period through the programme "*Manos a la obra*"

The IPPMD study focuses on policies that aim to enhance labour market efficiency through government employment agencies, improve workers' skills sets through vocational training programmes, and expand labour demand by increasing public employment programmes. It investigates to what extent these policies are present in Costa Rica, and whether they have an influence on migration.

Government employment agencies are doing little to influence migration

Government employment agencies can have an indirect impact on households' migration decisions by providing better information to job seekers. If people can find jobs in the local labour market through such agencies, they may choose to stay rather than emigrate to seek work abroad.

How does the labour force in Costa Rica find jobs? The IPPMD survey asked employed people in both the public and private sector how they had obtained their current jobs. Most native-born workers had found their job either through friends and family, or by approaching potential employers directly (Figure 5.1). Together these two methods account for 81% of all surveyed native-born population with paid jobs in both the public and private sector. Only about 3% had found their jobs through government employment agencies (2% of men and 5% of women).

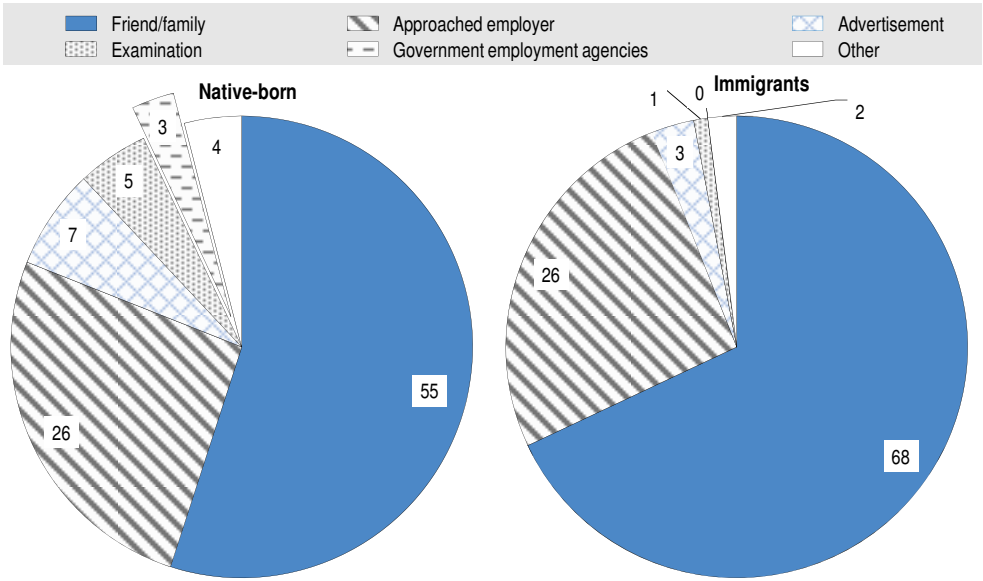
While immigrants also have access to such public services in Costa Rica, their use of employment agency services is close to zero. Only 3 of the 659 employed immigrants in the IPPMD sample had used a government employment agency service to find a job. Instead, immigrants tend to find jobs through their own networks, through direct contact with employers, or through friends and family. And they do so to a much larger extent than the native-born population (94% vs. 81%) (Figure 5.1). Government employment agencies could therefore expand their scope to better integrate immigrants into the formal labour market.

According to the comparative study of the ten IPPMD partner countries, beneficiaries of employment agency services are generally less likely to have plans to emigrate than non-beneficiaries (OECD, 2017a). This pattern is largely explained by the individual characteristics of government employment agency beneficiaries, who tend to be more highly educated than non-beneficiaries and more likely to hold jobs in the public sector, which are seen as secure occupations. A similar pattern appears in Costa Rica, although the difference is marginal and not statistically significant. Of those who found their jobs through

a government employment agency, 2% have plans to emigrate, compared to 4% for those who did not use these agencies.

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

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



Source: Authors' own work based on IPPMD data.

Vocational training programmes tend to encourage emigration from Costa Rica

Vocational education and training (VET) is seen in Costa Rica as a key tool to reinforce the labour force and address skills mismatches (OECD, 2015). Both the National Learning Institute (INA) and the Ministry of Public Education offer vocational training. INA runs 54 training centres across the country and has technical units that are responsible for the design of training programmes. In 2014, INA provided 246 training programmes in industry, agriculture and commerce and services. To what extent do these training programmes have an influence on Costa Ricans' emigration decisions?

The IPPMD survey found that 13% of the native-born population who are economically active had participated in a vocational training programme in the five years prior to the survey. Among the native-born population, a significantly higher share of women took part in vocational training than men: 19% versus 11%. Such training programmes are slightly more common in urban areas

(14%) than in rural areas (12%). The IPPMD survey findings indicate the most common training programmes to be computers/information technology (IT) (23%), followed by food processing (18%) and language (18%).

Vocational training programmes can affect migration in two different ways. By enhancing labour skills, people may find better jobs in the domestic labour market, thereby reducing the incentive to emigrate. On the other hand, vocational training can be a means to 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, 2017a). Costa Rica reflects this pattern: a higher share of those who participated in vocational training programmes have plans to emigrate (4%) than non-participants (2%). This may suggest that people participate in vocational training programmes in order to find a job abroad.

This pattern is explored more deeply using 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 (shown in Table 5.2) indicate a positive link between vocational training programmes and plans to emigrate. However, no significant results were found when the sample was disaggregated by gender. It should also be noted that the labour market outcome as a result of such training programmes will affect migration decisions.

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; $controls_i$ stand 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 sample is native-born population[b] and the model has been tested for two different sub-groups (men and women). The coefficients of the variables of interest are shown in Table 5.2.

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

Table 5.2. **Participation in vocational training programmes is positively associated with plans to emigrate**

Dependent variable: Individual plans to emigrate
Main variables of interest: Individual has 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	0.012*	0.010	0.018
	(0.007)	(0.008)	(0.015)
Household has at least one emigrant	0.027*	0.017	0.049
	(0.015)	(0.018)	(0.031)
Individual is unemployed	0.012	0.003	0.025
	(0.009)	(0.012)	(0.017)
Number of observations	2 118	1 402	601

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, a wealth indicator and its squared value are controlled for. Whether the household has an emigrant or not is also controlled for.
b. The sample excludes immigrants because the analysis explores how vocational training programmes can affect the emigration decisions of the native-born population.

Agricultural policies and migration

Chapter 4 concluded that return migration and immigration have little impact on whether farming households diversify or expand their agricultural activities. It recommended that Costa Rica could benefit by helping farming households channel their capital into the sector. The weight of agriculture in gross domestic product (GDP) in Costa Rica is low compared to other IPPMD countries, at 5.5% in 2015 (World Bank, 2017), yet the sector still plays an important role, particularly through exports (OECD, 2017b). Costa Rica's 2015-18 national development strategy's objectives for agriculture aim to boost the sector's productivity as well as reduce poverty among the rural population (MPNPE, 2014).

Costa Rica has a long tradition of supporting its farmers through subsidies. In fact, in 2010 members of the World Trade Organization (WTO) requested that it reduce its subsidies to rice farmers, as they were incoherent with WTO guidelines (Long, 2010; Cornick, Jimenez, Román, 2014). As a staple food, rice is highly protected in the country, often through guaranteed prices (Lindert et al., 2015). There is a trend, however, of reducing direct agricultural market support

in Costa Rica, partly as a result of WTO guidelines. In 2015, subsidised insurance policies for rice producers were cancelled, for instance (OECD, 2017b). According to one study, one of the reasons behind Costa Rica's tremendous growth over the last decades has been the maintenance of macroeconomic stability, partly achieved by eliminating many agricultural subsidies (Lindert et al., 2015). There are no direct subsidies for consumers related to agriculture. Input subsidies are mostly aimed at fixed capital formation and farm services (OECD, 2017b).

In addition to agricultural subsidies, Costa Rica also runs agricultural extension programmes, which involve specialised training, technical assistance and advisory services to producers. These are a major component of the agricultural sector in Costa Rica, accounting for nearly 30% of the total budget of the Ministry of Agriculture (OECD, 2017b). Finally, Costa Rica has also had issues with land titling. While the legal framework for land ownership is clear, particularly after the process of land titling was accelerated in 1982, deficiencies in property rights persist (OECD, 2017b; Ramirez and Villalobos, 2014). The exact number of land titles in the country is unknown.

Very few of the 2 236 households in the IPPMD survey were involved in agriculture: only 271 households (12% of all households) declared doing either agrarian farming or rearing livestock at the time of the survey. This makes for a small sample on which analysis can be performed. The IPPMD survey asked households which agricultural programmes they had benefited from between 2010 and 2014. According to the data collected, between 2010 and 2014 only 24 of the 271 agricultural households (9%) had benefited explicitly from an agricultural subsidy programme, 27 households (10% of all agricultural households) had benefited from an agricultural training programme and 13 households (5% of all agricultural households) from an insurance programme. In addition, according to the IPPMD data, 19 agricultural land-owning households (12% of all land-owning agricultural households) did not have the official certificate of their land.

A major concern in Costa Rica is the integration of the immigrants who have been entering the country over the past decades (OECD, 2009). To improve the chance of successful and productive integration, immigrants may need to have access to public services, including programmes that allow them to perform better in the agricultural sector. The analysis below therefore discusses whether immigrants have access to agricultural subsidies and training programmes and whether they have the titles for their land in Costa Rica, which would lower their vulnerability vis-à-vis their tenure on invested land.

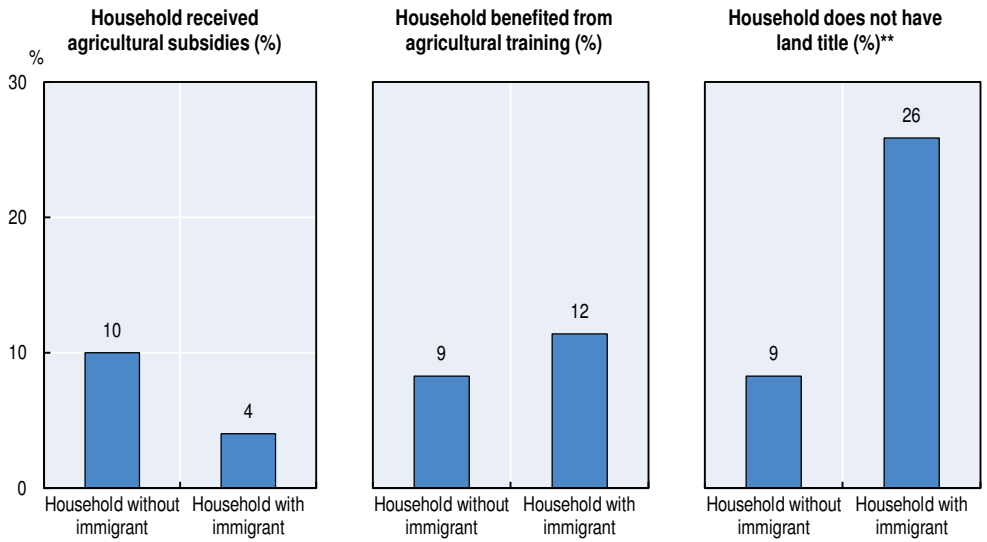
Households with immigrants generally have less access to agricultural programmes than households without immigrants

Looking across households with and without immigrants suggests that households with immigrants are less likely to have access to agricultural programmes. In fact, while 10% of households without immigrants received

agricultural subsidies, this was true for only 4% of households with immigrants (Figure 5.2). Similarly, immigrants may find it more difficult to register their land, making their tenure on it more risky and vulnerable. Indeed, while only 9% of non-immigrant households lack official land titles, more than a quarter (26%) of immigrant households lack land titles, a statistically significant difference. On the other hand, when it comes to agricultural training, households with immigrants (12%) are more likely to have benefited from than non-immigrant households (9%), although the difference is not statistically significant. It does seem then that agricultural extension programmes do reach out to immigrants, who form an important proportion of workers in rural Costa Rica.

Figure 5.2. **Households with immigrants are much less likely to have title to their agricultural land**

Share of households benefiting from agricultural policy coverage, by whether they have an immigrant or not



Note: A chi-squared test was used to measure the level of statistical significance between each set of groups. Results that are statistically significant are indicated as follows: ***: 99%, **: 95%, *: 90%.

Source: Authors' own work based on IPPMD data.

Overall, these results suggest that, at least for land titling, there is evidence that households with immigrants seem to be at a disadvantage. Regression analysis was used to account for other factors that may influence a household's access to agricultural programmes (Box 5.2). These reveal that not only are immigrant households disadvantaged when it comes to land titling, they are also less likely to receive agricultural subsidies. While the descriptive statistics on agricultural subsidies did not show a statistically significant difference between immigrant and non-immigrant households, the regression analysis accounts for the fact that larger and poorer households tend to be more likely to

access agricultural subsidies. Accounting for these facts reveals that having an immigrant in the household is negatively associated with receiving agricultural subsidies. As Costa Rica continues to rely on foreign labour for the growth of its agricultural sector (Chapter 2), it may need to consider widening the reach of its agricultural programmes to immigrants or investigating further why they are less likely to access such programmes, with the goal of improving their integration outcomes and boosting their productivity.

Box 5.2. **The links between agricultural policies and immigration**

To estimate the probability that a household has benefited from or accessed a certain agricultural programme, the following probit regression model was estimated:

$$\Pr(agri\_pol_{hh}) = \beta_0 + \beta_1 immig_{hh} + \gamma controls_{hh} + \varepsilon_{hh} \quad (1)$$

where the unit of observation is the household *hh* and the dependent binary variable ($agri\_pol_{hh}$) takes on a value of 1 if the household has benefited from the policy in question and 0 otherwise; $immig_{hh}$ represents a dummy variable taking the value of 1 if the household has an immigrant; $controls_{hh}$ stands for a set of household-level regressors[a]. Standard errors, ε_{hh}, are robust to heteroskedasticity. Table 5.3 presents the results.

Table 5.3. **Households with immigrants are less likely to have received agricultural subsidies or to have an official title to their agricultural land**

Dependent variable: Agricultural policy
Main variables of interest: Household has an immigrant
Type of model: Probit
Sample: Agricultural households

	Dependent variables		
Variables of interest	(1) Household has received agricultural subsidies in the past 5 years	(2) Household has benefited from agricultural training in the past 5 years	(3) Household has the official title of its agricultural land
Household has an immigrant	-0.156**	0.108	-0.289**
	(0.066)	(0.107)	(0.117)
Number of observations	271	271	155

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

a. Control variables for the model include the household's size, its dependency ratio (number of children aged 0-15 and elderly aged 65+, divided by the total of other members), the male-to-female adult ratio, its wealth estimated by an indicator (see Chapter 3), and whether it is in a rural or urban region. A fixed effect for its administrative region was not included due to the smaller sample size in Costa Rica. In addition, the specific regressions investigating whether the household has the title of its agricultural land was limited to arable farming households owning land.

Education policies and migration

The relationship between education policies and migration is multidimensional. Education policies may affect migration decisions in different, and opposing, ways. Policies that improve access to quality education may 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, these types of education programmes might have the opposite effect by giving the household the financial means to allow a member to emigrate. Furthermore, receiving financial support for children's education could affect the amount and frequency of remittances sent home. For immigrants, programmes which help them send their children to school can help them integrate, and may influence their decisions to stay in the host country. This section analyses these complex links between education polices and migration patterns in Costa Rica.

As reported in Chapter 4, Costa Rica spends a relatively high share of its GDP on education: the second highest share among the IPPMD partner countries after Morocco (OECD, 2017a). Raising teachers' wages has been one important area of investment in the education system (OECD, 2016). Another prominent education programme in Costa Rica is the use of scholarships to help students with limited resources to pursue education. The Ministry of Public Education (MEP) provides scholarships through the National Scholarship Fund (*Fondo Nacional de Becas*, or FONABE) for:

- post-secondary education (through the programme "*Avancemos Más*")
- preschool, primary and special education
- working children and adolescents
- students with special educational needs, associated with disability
- indigenous children
- adolescent mothers and fathers
- student transportation

Another prominent education programme in Costa Rica is the conditional cash transfer programme *Avancemos*. The programme was introduced in 2006 to encourage young people from poor backgrounds to stay in formal schooling until they complete the secondary cycle. The monthly cash transfer amounts to between USD 26 and USD 87 per child depending on the school grade (the lowest amount for 7th grade and the highest for 12th grade).

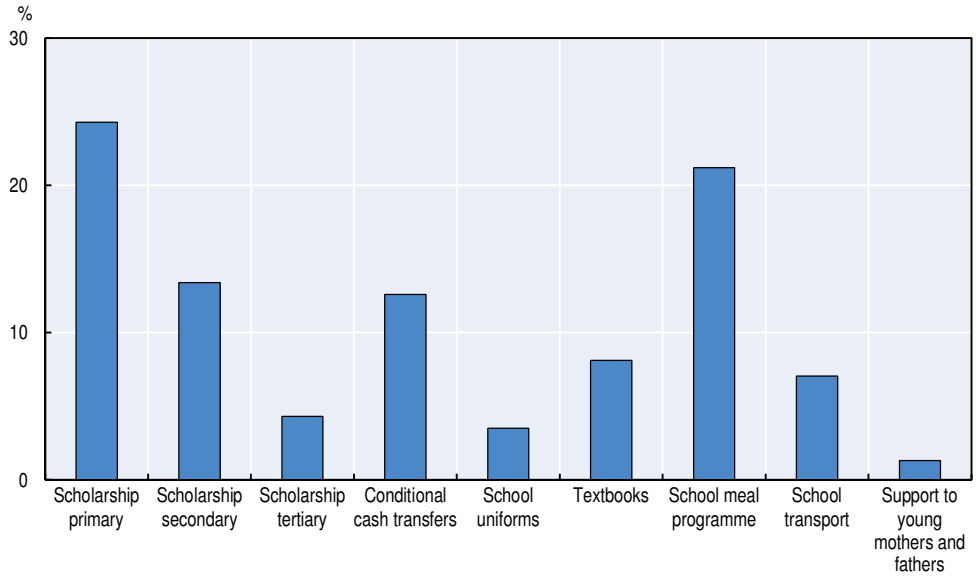
Immigrants are less likely to benefit from education programmes

The IPPMD survey gathered data on a range of educational distribution and cash-based programmes (Figure 5.3), including the programmes mentioned

above. Scholarships for primary education and school meal programmes were the most common programmes among respondent households with children of school age: about one in four households (24%) with children in school age (6-20 years) benefited from scholarships for primary education and 21% benefited from a school meal programme. Close to 13% of the households in the sample benefited from a conditional cash transfer.

Figure 5.3. **Scholarships for primary education and school meal programmes are the most common educational programmes among IPPMD households**

Share of households benefiting from education programmes (%)



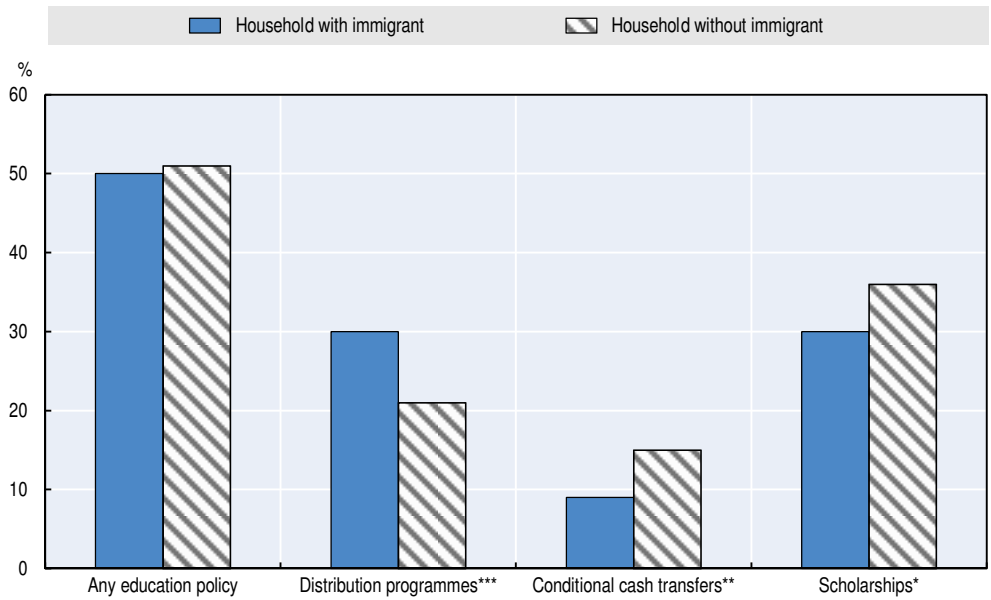
Note: The sample includes households with children of school age (6-20 years old).
Source: Authors' own work based on IPPMD data.

Education is a fundamental tool for the social integration of immigrant children and children of immigrant parents, and for human capital accumulation in host countries. Access to educational programmes may play an important role in improving school enrolment rates for the population in general, and especially for immigrant households, who often constitute a vulnerable part of the population. Hence, the way that education systems respond to migration has both economic and social impacts for the immigrant children themselves – but also for the society in which they live – as it determines future productivity and earning capacity. Costa Rica offers primary and secondary education to all children and youth regardless of their migrant status, and immigrants are eligible for scholarships through FONABE and the *Avancemos* programme. However, according to the 2011 census immigrants still lag behind when it comes

to school attendance (INEC, n.d.). Immigrant youth in secondary education in the Costa Rica IPPMD sample are also slightly less likely to attend school than their native-born peers (Chapter 4). Furthermore, a report from the General Directorate of Migration (DGME) shows that immigrants tend to benefit less from scholarships than their native-born peers (DGME, 2012). The IPPMD data also show that immigrant households have less access to cash-based education programmes in Costa Rica, but higher access to distribution programmes (such as free textbooks and school meal programmes, Figure 5.4). Lower access to cash education programmes may constitute a barrier to immigrant integration, and have negative implications for human capital accumulation.

Figure 5.4. **Immigrant households are less likely to benefit from cash-based education policies**

Share of households benefiting from education programmes (%), by immigration status



Note: The category "Any education policy" includes all educational programmes included in the survey. The sample includes households with children in school age (6-20 years old). A chi-squared test was used to measure the level of statistical significance between each set of groups. Results that are statistically significant are indicated as follows: ***: 99%, **: 95%, *: 90%.

Source: Authors' own work based on IPPMD data.

Scholarship programmes are linked to higher remittances, and make immigrants more prone to stay

Previous research from Latin America shows mixed results when it comes to the link between conditional cash transfers (CCTs) and migration and remittance decisions. Cash transfers can reduce the pressure to emigrate if they make a significant enough contribution to income, and if the conditions attached to the

cash transfer require household members to be physically present, for health check-ups for instance (Stecklov et al., 2005; Behrman, Parker and Todd, 2008). On the other hand, receiving a cash transfer can relax credit constraints enough to enable people to afford to emigrate, especially if complemented by remittances (Angelucci, 2004; Azuara, 2009).[2] CCTs may also increase emigration if the money received is not enough to cover the financial needs of the household, if the programme leads to human capital accumulation that increases the returns to migration, or if the conditions of the programme do not apply to all members of the household (Hagen-Zanker and Himmelstine, 2013). Finally, CCT programmes may affect the level of remittances received by a household. Households receiving CCTs may be less dependent on remittances for educational investments, which could decrease emigrants' incentives to send remittances home (Attanasio and Rios-Rull, 2001, for Mexico). However, several studies found no link between private transfers and CCT programmes (Teruel and Davis, 2000, for Mexico; Fajnzylber and López, 2007, for Honduras and Nicaragua).

These links between education programmes and migration were analysed for the IPPMD study using regression analysis (Box 5.3). The results show no statistically significant link between households benefiting from any education programme and having a household member emigrate in the five years prior to the study, or having a member planning to emigrate in the future.[3] On the other hand, the receipt of remittances is positively correlated with households that have benefitted from an education policy (Table 5.4). The sample of households receiving CCTs is too small to be further analysed in a regression framework. Looking more specifically at scholarship programmes, the results reveal no link between households benefitting from such programmes and future plans to emigrate. However, receiving scholarships is positively related to the probability of receiving remittances. A potential explanation could be that scholarships increase the incentives to send remittances home to finance the education of members in the household.

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

To investigate the link between education support programmes on migration and remittance patterns, the following probit equations are applied:

$$Prob(mig_{hh}) = \beta_0 + \beta_1 edu\_policy_{hh} + \gamma controls_{hh} + \delta_r + \varepsilon_i \quad (1)$$

$$Prob(immig\_return_i) = \beta_0 + \beta_1 edu\_policy_{hh} + \gamma controls_{hh} + \gamma controls_i + \delta_r + \varepsilon_i \quad (2)$$

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 (column 1 in Table 5.4), or receiving remittances (column 2). $\mathrm{edu\_policy}_{hh}$ is the variable of interest and represents a binary variable indicating if the household has benefited from an education policy in the five years prior to the study (results presented in the

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

upper part of the table). It takes on value "1" if the household has benefited from an education policy programme and "0" otherwise. $controls_{hh}$ are set of observed household characteristics influencing the outcome.[a] δ_r represents regional fixed effects and ε_{hh} is the randomly distributed error term. Cash-based programmes in the form of scholarships are analysed separately, and these results are presented in the lower part of the table.

A second estimation explores the link between education policies and immigrants' intentions to return to their origin countries (equation 2), where *immig_return* is a binary variable taking on value "1" if an immigrant has plans to return to the country of origin, and "0"otherwise. Apart from control variables at the household level, the specification also controls for individual characteristics.[b]

Table 5.4. **Receiving scholarships is negatively linked with immigrants' intentions to return to their origin country**

Dependent variable: Household with member planning to emigrate/receiving remittances, immigrant planning to return to country of origin
Main variables of interest: Household benefited from education policy
Type of model: Probit
Sample: All households (column 1 and 2), immigrants (column 3)

Variables of interest	Dependent variable		
	(1) Plan to emigrate	(2) Household receive remittances	(3) Immigrant planning to return
Household benefited from any education policy in the past 5 years	0.013	0.032***	-0.031
	(0.012)	(0.010)	(0.020)
Number of observations	2 051	1 891	1 357
	Cash transfer programmes		
Household benefited from scholarship programme	-0.018	0.023*	-0.111***
	(0.016)	(0.013)	(0.035)
Number of observations	2 051	1 891	1 357

Note: Statistical significance is indicated as follows: ***: 99%, **: 95%, *: 90%. Standard errors are in parentheses and robust to heteroskedasticity. The analysis controls for households having an immigrant. Excluding immigrant households from the sample does not change the results.

a, b. The control variables include household size and size squared, household dependency ratio, a binary variable for urban location, the mean education level in the household, the number of children in age 6-17 and a proxy for household wealth through an asset index. In addition, the analysis in column 3 include individual level controls including age, sex and education level of the immigrant, unemployment status, years the immigrant has lived in Costa Rica, whether the immigrant is seasonal and whether the immigrant has Costa Rican citizenship.

Education programmes may affect immigrants' intentions to return to their countries of origin. For example, scholarships that enable young people to be educated in the host country may allow them to become better integrated

in the labour market later in life, thereby decreasing their incentives to return. The correlation between education policies and immigrants' intentions to return is investigated Table 5.4. The analysis shows that immigrants living in households that receive scholarships are less likely to plan to return to their country of origin than immigrants living in households that did not receive scholarships.

Investment and financial services policies and migration

Financial inclusion has been broadly recognised as critical for reducing poverty and achieving inclusive economic growth. The use of formal bank accounts, savings and payment mechanisms increases savings, empowers women, and boosts productive investment and consumption (Demirguc-Kunt et al., 2015). Financial inclusion can also strengthen the development impact of remittances by encouraging savings, as well as better matching savings with investment opportunities (UNDP, 2011). Channelling remittances through formal financial institutions is often more secure and can also contribute to the development of the financial system and make resources available to finance large-scale economic activities beyond the investments made by the recipient households. However, many households still lack access to the formal financial sector, and around 210 million individuals are still unbanked in Latin America and the Caribbean (World Bank, 2015).

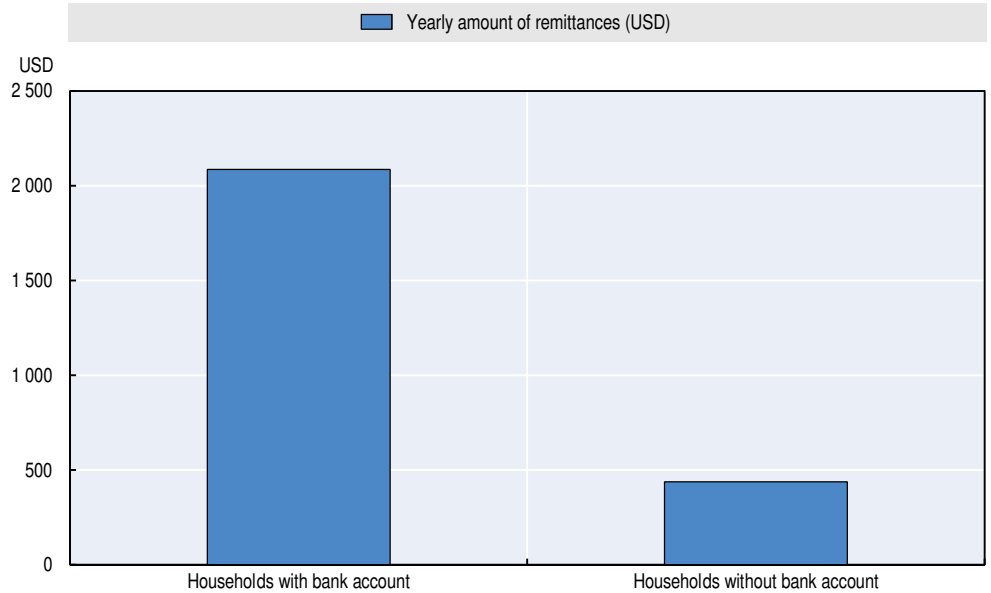
Financial inclusion is linked to higher levels of remittances

The IPPMD household survey included a number of questions on financial inclusion and financial training programmes.[4] The descriptive statistics show that overall, 76% of households in the Costa Rican sample have a bank account (Figure 5.5), which is the highest share among the IPPMD countries (OECD, 2017a). Despite this high rate, one-quarter of households in the sample are still unbanked and there is quite a gap between urban and rural households (82% versus 72%). Opportunities are possibly being missed to channel remittances into more productive investments.

Access to the formal financial sector can facilitate the sending and receiving of higher levels of remittances, and encourages the use of formal channels. The IPPMD data show that households with a bank account are more like to receive remittances (4.8%) than those without a bank account (2.9%). Remittance-receiving households with a bank account also received considerably higher amounts of remittances in the 12 months prior to the survey: on average USD 2 085 compared to USD 438 for unbanked households. It is however important to note that the sample of remittance-receiving households without a bank account is very limited, at only four households.[5]

Figure 5.5. **Households with bank accounts receive higher amounts of remittances**

Share of households receiving remittances (%) and average amount of remittances received by households in the 12 months prior to the survey (USD)



Note: yearly amount of remittances is the average amount of remittances received by households from former household members in the 12 months prior to the survey.

Source: Authors' own work based on IPPMD data.

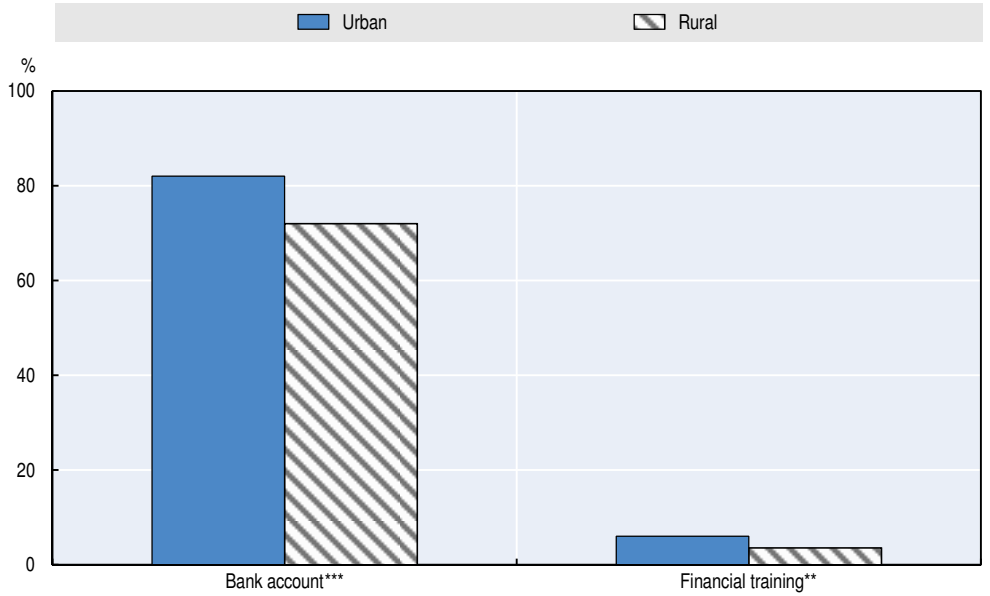
There is scope to expand financial literacy training

In order to enable households to maximise the returns to their remittance investments, they need to have information on the investment products available, as well as saving and investment opportunities. Knowledge about business management is also important for households that might want to invest in setting up a business. This applies both to households receiving remittances and households in communities where remittance inflows are high and generally benefitting the local economy. Financial training programmes and business management courses can help to build the financial literacy required for investment in productive assets. Evidence from other studies shows that training in finance and financial accounting positively affects the management practices of small businesses (Drexler, Fischer and Schoar, 2014).

The IPPMD household survey found that overall, 5% of households had participated in a financial training course in the previous five years. The share is higher in urban areas (6%) than in rural areas (4%) (Figure 5.6). Households receiving remittances had a higher rate of participation than other households, at 10%, while only 3% of immigrant households had participated.

Figure 5.6. **Household participation in financial training programmes is low**

Share of households with bank accounts and share of households participating in financial training programme in past 5 years (%), by geographical location



Note: A chi-squared test was used to measure the level of statistical significance between each set of groups. Results that are statistically significant are indicated as follows: ***: 99%, **: 95%, *: 90%.

Source: Authors' own work based on IPPMD data.

In sum, sectoral policies could help create a more enabling environment, for example by introducing measures to expand financial inclusion and provide financial literacy training so that migration and remittance funds can be used more efficiently.

Social protection and health policies and migration

Chapter 4 has examined the impact of immigration on the social protection and health sectors. It found little evidence that immigrants in Costa Rica are net beneficiaries of government transfers or health services. Social protection has a fundamental role in the social and economic integration of immigrants (GMG, 2014). The importance of social outcomes is anchored in Costa Rica's 2015-18 National Development Plan, where three of its key strategic sectors of focus on 1) labour and social security; 2) human development and social cohesion and 3) health, nutrition and sport (MPNPE, 2014). Equal access to social protection and health can improve the integration of immigrants and determine their level of contribution to the host country (OECD/EU, 2015; Huber, 2015). This section examines the influence of health and social protection policies on the integration of immigrants, although it should be noted that inadequate health

and social protection coverage may also influence other migration outcomes, for example by encouraging people to emigrate to a country where coverage is better, or where they can earn enough to help the household to remedy shortcomings in social protection or health by remitting them money.

Up until 2009, the Costa Rican Government had no general strategy for immigration. The increase in Nicaraguan immigrants since the 1990s (Chapter 2) and their inherent poverty levels have highlighted the importance of clear migration-related policies (Marquette, 2006). As immigration flows from Nicaragua to Costa Rica have stabilised, the Costa Rican Government has turned its focus to their social and economic integration. Even so, despite a regularisation programme to provide immigrant workers with greater protection, in 2015 only around 5 000 of the 75 000 agricultural immigrant workers in the country had residence permits (Sojo-Lara, 2015).

Costa Rica's 2009 Law No.8794 (General Law on Migration and Foreigners) essentially guarantees that migrants have access to social security insurance in the country. In fact, Article 7 of the law states that one of the basic requirements when processing migration documents is to ensure that the migrant is insured through the Costa Rican Social Security Fund (*Caja Costaricense de Seguro Social*, CCSS). Therefore, from a *de jure* point of view, immigrants' access to social security is pretty clear. However, access by irregular immigrants is less clear, i.e. those without legal documents authorising their stay in the country, or whose papers are no longer valid. Recent research suggests that *de facto* universal access to health services and social protection has not been the case for immigrants in Costa Rica (Voorend, 2016; Noy and Voorend, 2016).

As individuals can access health and social protection benefits through employment, access to these benefits may be contingent on being employed in the formal sector. Formal employment contracts increase the likelihood of obtaining employment-related benefits and insurance, and many of the benefits also apply to other household members. In addition, formal employment contracts ensure workers' recourse to legal systems in the event of problems between the worker and the employer (Jütting and de Laiglesia, 2009). However, not all individuals in Costa Rica benefit from formal employment contracts. Estimates indicate that in 2013, 31% of non-agricultural workers[6] in the country were employed informally (i.e. with no formal employment contract), down from 44% in 2009 (ILO, 2014). This section explores what the IPPMD survey data tell us about social protection for immigrants.

Immigrants are less likely to enjoy social protection than those born in Costa Rica

The IPPMD survey identified whether individuals had formal employment contracts and collected information on the benefits they gained through their employment. Of all the immigrant and native-born respondents working outside

the agriculture sector,[7] 63% have a formal labour contract. This is a lower rate than the 69% suggested by the International Labor Organization in 2013 (ILO, 2014). In addition, 31% of non-agricultural workers in the IPPMD survey had formal contracts of indefinite duration, 25% had health benefits attached to their jobs, and 70% had pension plans.

However, the data suggest that immigrants are much less likely to be covered by formal employment contracts or to have access to benefits related to their employment than people born in Costa Rica (Figure 5.7). Immigrants working in the non-agricultural sector are less likely to benefit from a formal employment contract (42% versus 71%), an open-ended contract (20% versus 35%), health benefits (15% versus 29%) and pension benefits (60% versus 73%). The inclusion of agricultural workers in these statistics does not alter the magnitude of the gap between immigrants and those born in the country. These differences are also significant for both men and women; the breakdown of each outcome by gender reveals significantly better access for native-born individuals than for their immigrant counterparts.

In examining the divisions between urban and rural areas, a slightly different story emerges. Immigrants living in urban households have less coverage than their native-born counterparts for all outcomes, while immigrants living in rural households are slightly more likely to have health benefits through their employment than native-born individuals (although the difference is not statistically significant). However, they are less likely than native-born individuals to be covered by a formal labour contract or have an open-ended contract. Moreover, the gap between rural immigrants and native-born individuals in rural areas in terms of access to a pension plan is much smaller than in urban areas, and not statistically significant.

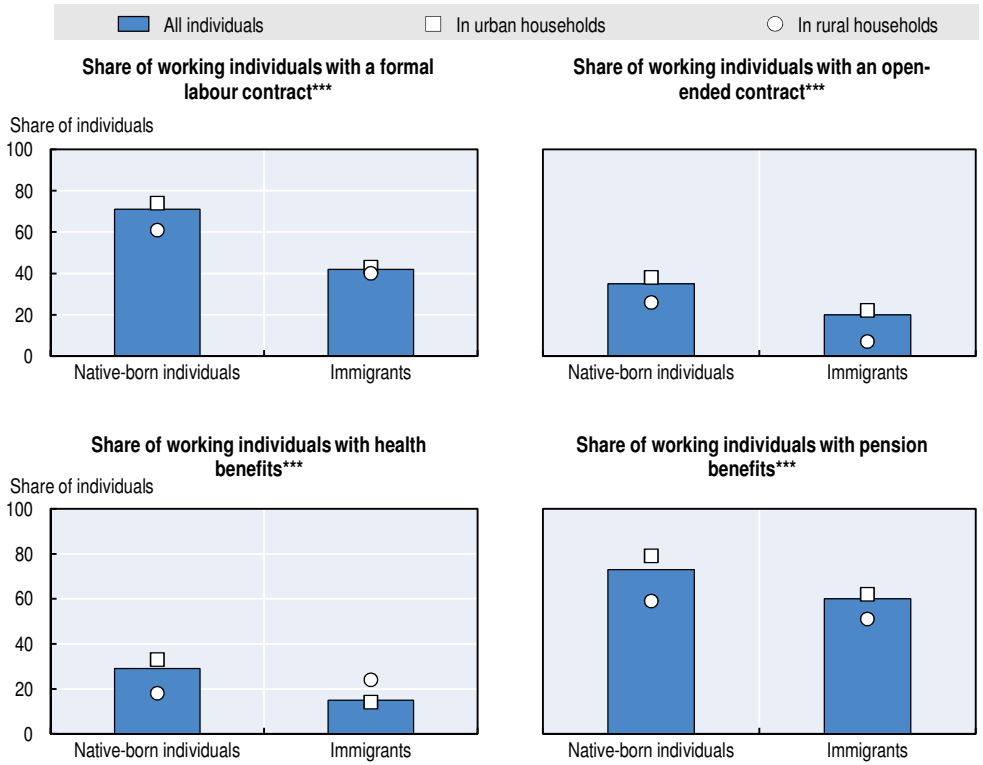
This may, however, be explained by the fact that the analysis focuses only on non-farm workers. Indeed, many agricultural workers in Costa Rica work in large banana, pineapple and coffee processing companies, where they may have a formal employment contract. Taking into account the full sample of workers, the share of rural immigrants who have health benefits through their employment is similar to native-born individuals (16%), but rural immigrants are less likely to have pension benefits (35% vs. 53%). Including agricultural workers in the sample made no difference to the gender findings.

As many other factors can determine whether an immigrant is covered by a formal employment contract or other employment-related benefits, regression analysis was used to control for these factors to get a clearer picture (Box 5.4). The results confirm that, in general, immigrants are less covered by social protection, formal employment contracts, open-ended contracts, health benefits or pension schemes (Table 5.5, top rows). In line with the descriptive statistics

shown above, immigrants overall, both men and women, are less likely to benefit from such coverage than their native-born counterparts. This was also true for urban areas, while there was no difference between immigrant and native-born individuals in terms of formal labour contract in rural areas.

Figure 5.7. **Immigrants have less access to social protection than native-born individuals in Costa Rica**

Share of individuals with access to social protection (%), depending on whether the individual is an immigrant or not



Note: A chi-squared test was used to measure the level of statistical significance between each set of groups, based on all individuals. Results that are statistically significant are indicated as follows: ***: 99%, **: 95%, *: 90%. The sample does not include agricultural workers.

Source: Authors' own work based on IPPMD data.

Regression analyses were also carried out on a sample of all workers, not just agricultural workers, in order to test the validity of the results, since it may be difficult to transmit information of a professional nature during the interviews and also because of the potentially frequent nature of formal employment contracts in the particular case of agriculture in Costa Rica. These

new results confirm the negative situation for immigrants in general for the first three outcomes (formal employment contract, open-ended contract, health benefits), but not for pension access. Moreover, this was also the case specifically for immigrant men and women and immigrants living in urban areas. In rural areas, the results show a much smaller difference between immigrant and native-born workers in possessing a formal labour contract. They also have more access to employment-related health benefits than native-born individuals. It seems therefore that many immigrant farm workers do tend to have formal contracts that include certain benefits. However, they continue to have less access to open-ended contracts.

Box 5.4. **The links between social protection, health and migration**

To estimate the probability that social protection or health coverage affect a migration-related outcome, the following probit regression model was estimated:

$$\Pr(socpro_i) = \beta_0 + \beta_1 immig_i + \gamma controls_{i,hh} + \varepsilon_i \quad (1)$$

where the unit of observation is the individual *i* and the dependent binary variable ($socpro_i$) takes on a value of 1 if the individual has a particular type of social protection coverage and 0 otherwise. $immig_i$ represents a dummy variable taking the value of 1 if the individual is an immigrant. $controls_{i,hh}$ stands for a set of individual and household-level regressors.[a] Standard errors, ε_i, are robust to heteroskedasticity.

Results are presented in Table 5.5. Column (1) presents results for whether a working individual has a formal labour contract, column (2) for whether a working individual has an open-ended contract, column (3) for whether a working individual has health benefits, and column (4) for whether a working individual has pension benefits.

Table 5.5. **Immigrants are less likely to benefit from social protection**

Dependent variable: Social protection coverage
Main variables of interest: Individual is an immigrant
Type of model: Probit
Sample: Employed (non-agricultural) individuals (15+)

Variables of interest	Dependent variables			
	(1) Individual has a formal labour contract	(2) Individual has an open-ended labour contract	(3) Individual receives health benefits from employment	(4) Individual has a pension programme
Individual is an immigrant	-0.201***	-0.125***	-0.098***	-0.037
	(0.031)	(0.024)	(0.023)	(0.027)
Number of observations	1 839	1 839	1 838	1 842

Box 5.4. **The links between social protection, health and migration** *(cont.)*

Table 5.5. **Immigrants are less likely to benefit from social protection** *(cont.)*

Dependent variable: Social protection coverage
Main variables of interest: Individual is an immigrant
Type of model: Probit
Sample: Employed (non-agricultural) individuals (15+)

Variables of interest	Dependent variables			
	(1) Individual has a formal labour contract	(2) Individual has an open-ended labour contract	(3) Individual receives health benefits from employment	(4) Individual has a pension programme
Samples based on gender and household location				
Subsample of men only	-0.180*** (0.041)	-0.114*** (0.032)	-0.099*** (0.031)	-0.041 (0.035)
Subsample of women only	-0.229*** (0.048)	-0.149*** (0.038)	-0.089** (0.035)	-0.034 (0.043)
Subsample of individuals living in urban households only	-0.230*** (0.033)	-0.115*** (0.028)	-0.147*** (0.025)	-0.053* (0.028)
Subsample of individuals living in rural households only	-0.025 (0.072)	-0.181*** (0.042)	0.162** (0.070)	0.059 (0.070)

Note: Statistical significance is indicated as follows: ***: 99%, **: 95%, *: 90%. Results reflect marginal effects. Coefficients reflect marginal effects. Standard errors are in parentheses and robust to heteroskedasticity. Standard errors in regressions where the dependent variables are measured at the household level (household has an emigrant and household receives remittances) are clustered at the household level. "N/a" refers to the fact that the sample sizes are too small to analyse. The results reported do not include agricultural workers.

a. Control variables for the model include individual age, education level (Chapter 3), gender, household wealth, household size and whether the household is in a rural region. Due to the small sample sizes, a fixed effect for the household's province was not included in the model.

As mentioned above, health and pension benefits may depend on the existence of a formal contract. Indeed, regression analyses based on a subsample of people with formal employment contracts reveal that the differences between immigrants and native-born workers in all outcomes (open-ended contract, health benefits, pension plan) are no longer statistically significant. As a result, the gap between the two groups stems mainly from access to formal employment contracts. This was specifically the case when investigating the issue separately for both men and women. Immigrants in urban areas continue to have less access to employment-related health benefits, while those in rural areas continue to have less access to open-ended contracts, but more access to employment-related health benefits. Therefore, in order to better integrate and benefit from its immigrant population, Costa Rica needs to generally remedy the gap between immigrants and native-born individuals in access to formal sector jobs.

Conclusions

This chapter has identified some links between sectoral policies and migration in Costa Rica, and shows that such policies can influence migration. For example, vocational training programmes are positively linked to future plans to emigrate, potentially because they equip would-be migrants with skills that are useful in the international labour market. Education programmes do not seem to have any significant influence on households' emigration decisions, though benefiting from an education programme is positively linked to the probability of household receiving remittances. Further analysis show that this is particularly true when it comes to scholarship programmes. Furthermore, providing scholarships to immigrant households seem to reduce their incentives to return to the country of origin.

Participation in financial training programmes is very low among both migrant and non-migrant households in Costa Rica, and although a majority of the households in the sample have bank accounts, about one in four households do not, with a higher share in rural areas. There is hence scope to expand households' access to the financial sector and financial training programmes to enable households to invest remittances more productively. Encouraging more competition in the remittance market could also help decrease remittance transfer costs.

Finally, immigrants benefit to a lesser extent from many of the policy programmes included in the survey. They are less likely to benefit from education programmes, and very few immigrants found their jobs through government employment agencies. There is also evidence that households with immigrants are disadvantaged when it comes to official land titles and receiving agriculture subsidies. In addition, immigrants are less likely to have access to secure jobs though formal labour contracts. Ensuring access to formal labour contracts and policy programmes in key areas such as education, social protection and health will be important to strengthen integration and development processes.

Notes

1. See Chapter 3 for the methodological background on the regression analyses used in this project.
2. Cash-based educational support is given to finance child and youth education and may hence not directly finance migration. But receiving these funds could free up enough resources in the household budget to allow a household member to migrate.
3. The IPPMD survey collected information on households benefiting from education programmes in the five years prior to the survey, but did not ask households to specify in what precise year(s) they had benefited from a policy. In order to restrict the analysis to households that benefited from a policy and had members emigrating at around the same time, households with emigrants who left more than five years ago are excluded.

4. The household survey also included questions on policies related to business operations, such as tax subsidies. These questions were however only asked to households with businesses with more than four employees, and so the sample is too small for further analysis.
5. This small sample size meant that regression analysis could not be carried out to investigate the link between financial inclusion and remittance patterns.
6. Statistical convention measures informality rates in the non-agricultural segment of the population.
7. Agricultural occupations are defined by agricultural, forestry and fishery workers (ISCO category 6), as well as those working in elementary occupations in those fields (ISCO category 92).

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