

SDC 2019 Annual Meeting Abstracts

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Title: The Role of Remittances on Schooling: Evidence from Colombia



We identify the causal impact of international remittances on school attendance and attainment in Colombia. Education is the basis for creating sustainability development. Yet, over 265 million children are currently out of school and few countries have achieved equality on enrollment at all levels of education for girls and boys. The ability to migrate is associated with improving human capital accumulation. Migration may facilitate investment in education as remittance income eases credit constraints, or alters the perceived returns to investing in education. However this is not always the case, recent evidence suggests that parental absence and child labor as a result of migration may translate into less investment in education. The Sustainable Development Goals now offer an opportunity to re-examine this complex relationship.

To identify the causal impact of remittances, we use an instrumental variable approach. We exploit several characteristics of Colombia to construct our instrument and guarantee its validity. The instrument combines destination-country-specific unemployment shocks, weighted by the historical share of migrants from each migrant-sending region to these countries (constructed with IPUMS data). Moreover, we take into account the potential bias coming from treating the educational attainment of children who still on the school as those who have finished and estimate an IV-ordered probit model.

Unlike previous evidence in Latina America, our study finds that remittances increase the probability of reaching higher levels of education. Moreover, we show that the ease of household budget constraints allows boys to keep going to school, which otherwise without remittances would have to go to work. Finally, we move to the non-unitary household models and explore whether intra-household bargaining drives the heterogeneous impact by gender. We find that boys and girls benefit from remittances when the household head is a woman, but only boys benefit from remittances if the household head is a man. These results highlight the importance of facilitating the flow of remittances to transnational households as a mechanism to improve school enrollment and achieve gender equality in enrollment at higher levels of education (SDG4 targets).