The Impact of Financial Education for Foreign Domestic Workers in Singapore

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Sector(s): Finance

Location: Singapore

Sample: 408 Filipino domestic workers

Target group: Urban population Women and girls

Outcome of interest: Remittances Savings/deposits

Intervention type: Commitment devices Financial literacy Migration Nudges and reminders Savings Training

With limited financial knowledge and decision-making power, female migrant workers face myriad challenges when making financial decisions. Researchers evaluated the impact of a financial literacy program for Filipino domestic workers based in Singapore on their financial knowledge, behavior, savings, and remittances. While there was no evidence that being invited to join the program had any impact on financial knowledge or behavior, program invitees reported reductions in self-reported savings, as well as more disagreements with family members over how to spend remittances. The program may have encouraged participants to seek more accurate information on household spending and saving.

Policy issue

With only 30 percent of women globally considered financially literate,[1] women experience gender-specific barriers to household decision-making. Female migrant workers are especially vulnerable to making sub-optimal financial decisions that may have serious consequences on them personally, as well as on their social well-being. When geographically separated from their families, migrant workers may lack information over household finances making it more difficult to coordinate spending. Current evidence suggests a link exists between greater financial knowledge and better financial decisions. However, evidence remains mixed on whether financial literacy trainings lead to positive financial outcomes like savings, borrowing, or financial planning. Can financial education for female domestic workers improve financial knowledge, behavior, savings, and remittances?

Context of the evaluation

In 2013 and 2014, the Philippines ranked the seventh-largest country in terms of migrant-sending and third-largest in terms of remittances received.[2], Remittances have an important impact on household well-being. Previous studies have shown that, after receiving remittances, households in the Philippines were more likely to leave poverty status,[3], send their children to school,[4], and invest in new entrepreneurial business opportunities.[5] Singapore also hosts a large migrant worker population, making up approximately one-fourth of its total population of five million (as of 2011). This study focused on Filipino female domestic workers based in Singapore. Around the time of the study, there were 201,000 foreign domestic workers in Singapore, almost all of whom were women, and the majority came from the Philippines.

Researchers partnered with a non-profit organization, dedicated to providing financial education to female migrant workers in Singapore, to offer the program to groups of Filipino migrant women. Prior to the intervention, most women in the study had limited financial knowledge. Approximately 80 percent of participants reported having any savings, which averaged S$475 (approximately US$370) in Singapore and PhP 20,000 (US$450) in the Philippines. Furthermore, nearly half of the women felt that they had no control over how remittances were spent by family back home.

Group of people on balcony

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Details of the intervention

Researchers conducted a randomized evaluation to test the impact of a financial literacy program on women's financial knowledge and behavior, savings, and remittances. The program was modeled after peer-based savings clubs, consisting of ten to twelve members. In monthly three-hour sessions over nine months, a life-planning coach instructed participants on basic financial topics like budgeting, planning, and saving. To motivate savings, women set and announced their monthly saving goals to the group, and assigned volunteers sent weekly inspirational SMS messages to fellow club members. Members saved in their own accounts, or if they did not have an account, with their employer. The program required members to save at least S$5 (approximately US$4) per month. Additionally, participants tracked their daily expenses in a notebook checked each month by the coach. Once a participant met her savings goal, she received a certificate or badge.

During the pilot, researchers recruited 127 women at malls and parks on a Sunday, when many domestic workers have the day off, but few women actually joined the clubs. Incorporating lessons learned during the pilot, researchers changed their recruitment strategy and instead invited women already attending computer or cooking classes to join the financial literacy workshops. From the 243 women who completed the baseline survey, researchers randomly invited 169 to join the workshops. Eventually, 29 women enrolled, creating three clubs which began in April/May of 2011. Students paid S$55 (US$43) to register for the club but were refunded if they attended all nine sessions, with staggered payments to encourage regular attendance. Due to the limited sample size, researchers analyzed results using data from both the pilot and main evaluation.

Results and policy lessons

While there is no evidence that the being invited to the program had any effect on women's financial knowledge or behavior, being invited to the program negatively impacted self-reported savings and increased the likelihood that women reported disagreements with family members over spending. Researchers suggest that migrants may not have accurate information about how much savings they, or their families back home, have and the program may have encouraged participants to seek more accurate information on household spending.

Take-up of the program was low and more educated women were more likely to enroll. Only 16 percent of all invited women joined the workshops. Women with more education were more likely to enroll and attended more classes, with each additional year of school increasing enrollment by up to 2 percentage points from a base of 16 percent (a 13 percent increase). Women with lower amounts of self-reported savings were also more likely to enroll and attend more classes.

Women invited to join the workshops reported lower amounts of savings after the program. Women invited to the club reported a reduction of savings by over thirty percent, or S$423 (US$329), compared to women who did not participate in the program, who reported having S$1,280 (US$997) in savings. However, because women self-reported savings data, it is difficult to determine whether the program impacted actual savings. One possible explanation is that financial education may have led women to seek more accurate information on their savings. For example, after the program, women reported having fewer bank accounts, including accounts others held on their behalf, suggesting perhaps women realized they had fewer accounts than they originally believed. Additionally, there is no evidence that the workshops had any impact on financial knowledge and behavior.

After the program, women invited to join the clubs were also more likely to report disagreeing with their family about how to spend remittances. Being invited to join the workshops increased the likelihood that women reported disagreements over spending from 1 percent to 5 percent. Disagreements included differing opinions over how to spend, save, or invest remittances, as well as spending on necessities versus entertainment. This result was somewhat surprising given that these women were the primary earners in their households and have control over their income as it is paid to them directly in Singapore. The researchers suggest that this may reflect the reality that gender norms in intra-household dynamics are likely slow to change and can limit the impact of financial education programs.

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2. World Bank. 2016. "Migration and Remittances Factbook 2016, 3rd edition." Washington, DC: World Bank. https://doi.org/10.1596/978-1-4648-0319-2.

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