Migrant Remittances and Economic Development
Lecture 4

SIPA U8159
Tuesdays 4:10 pm – 6:00 pm
IAB 410

Lenora Suki
Program on Remittances and Development
Center on Globalization and Sustainable Development
The Earth Institute at Columbia University

Profiles of Senders and Receivers

Significance of profiles

- Family and community social dynamic
- Economic situation/standard of living
- Geographic/spatial characteristics
- Education and financial literacy
- Strength of transnational networks
- Country-specific drivers and determinants

→ Banking, saving, remittance attitudes

Profiles of Senders and Receivers

Why is it important?

Private sector – what are needs? where are clients?

Public sector – how and where do we target policy and allocate scarce resources?

Civil society – how can we facilitate or achieve related goals?

Problems: poor or inaccurate data, enclaves living "under the radar", scope for abuse

Table 2. *The remittance system: Determinants and intermediate effects*

Potential determinants of remittances	Expected direction of relationship	Intermediate effects				
		Available pool of remittances	Decision to remit or not	How to remit	Amount to remit	Uses
Number of workers	+	×				
Wage rates	±	×				
Economic activity in host country	+	×				
Economic activity in sending country	+	×				
Exchange rate	±		×	×		
Relative interest rate between labor-sending and receiving countries	±		×	×		
Political risk factors in sending country	−		×			
Facility of transfering funds	+	?	×	×		
Ratio of females in population in host country	−		×		×	
Years since outmigration	±		×		×	×
Household income level	−		×		×	×
Employment of other household members	−		×		×	×
Marital status	+		×		×	?
Level of education	−		×	?	×	×
Occupational level of migrants	−		×		×	×

Source: Russell (1986)

Profiles of Senders and Receivers

Significance of profiles

- **Family and community social dynamic**
- Economic situation/standard of living
- Geographic/spatial characteristics
- Education and financial literacy
- Strength of transnational networks
- Country-specific drivers and determinants

Profiles of Senders and Receivers

Family and community social dynamic

Senders

High priority to remitting

Youth of migrants

Support parents or children/grandparents

Gender – often male but more women migrants

Receivers

Number of family members supported

Extended family members in house

Age of household head

Gender – often female

Relationship to remitter

Profiles of Senders and Receivers

Significance of profiles

- Family and community social dynamic
- **Economic situation/standard of living**
- Geographic/spatial characteristics
- Education and financial literacy
- Strength of transnational networks
- Country-specific drivers and determinants

Profiles of Senders and Receivers

Economic situation/standard of living

Senders

Sector of employment

Work hours/conditions

Documentation, authorization

Size of household

Perceived home country economic situation

Integration/discrimination and security

Receivers

Labor supply

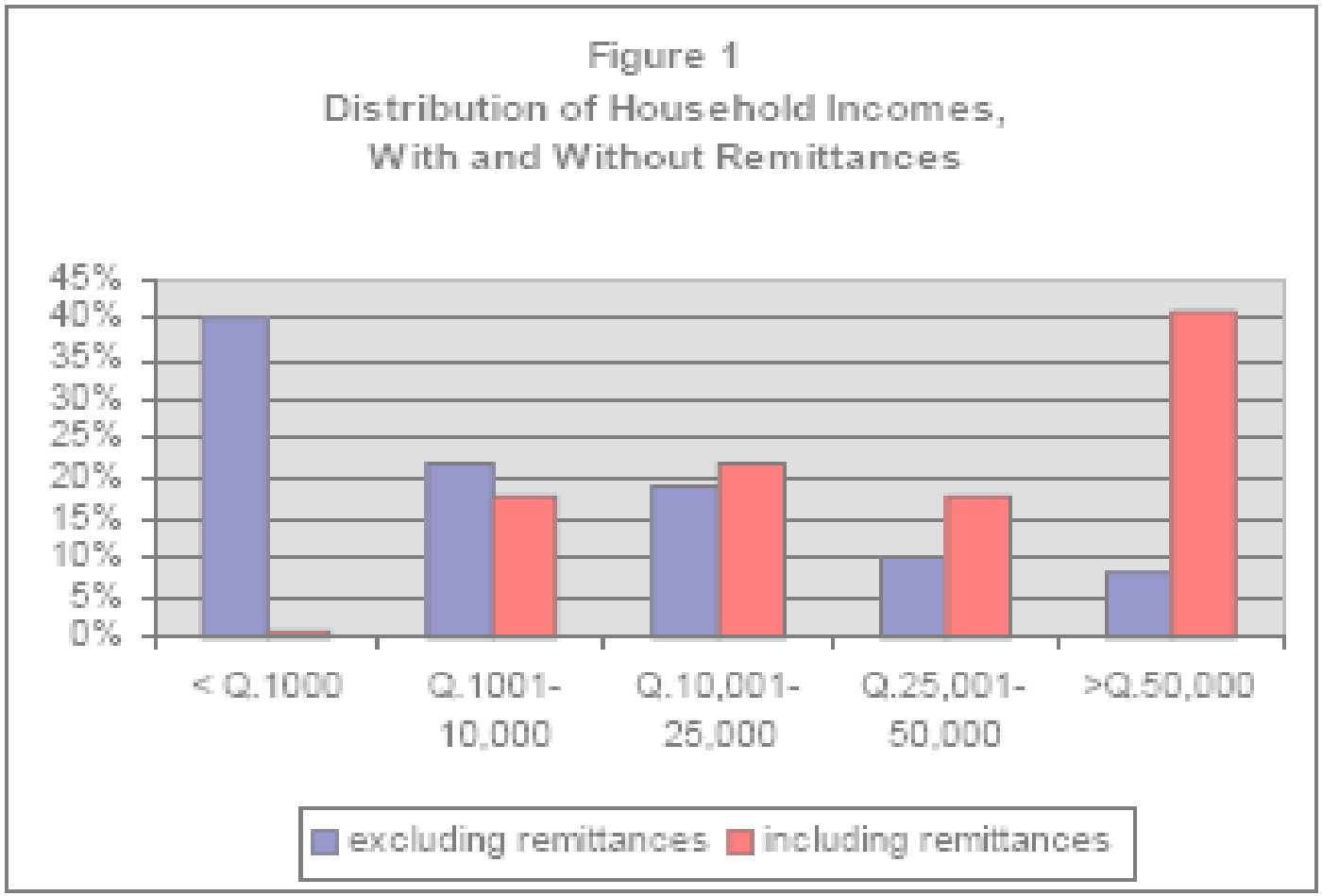
Change in income, sector distribution

Percent of total income

Departure of low-middle, middle income

Entrepreneurship/self-employment

Income Distribution: Receivers in Guatemala Credit Unions



Q.8=$1

Source: WOCCU, *Credit Union Remittance Services in Guatemala,* 2005.

Jamaica: Remittances important for all socioeconomic strata

Table 11.15. Jamaica: Importance of Remittances, by Decile

Decile	Remittances as % of total annual expenditure	Total support[a] as % of total annual expenditure	Remittances as % of total support
1	26	30	87
2	17	31	55
3	11	21	52
4	12	21	57
5	14	16	88
6	15	19	79
7	11	13	85
8	14	20	70
9	16	20	80
10	7	14	50

[a] Total support includes support from children, relatives, remittances, rental income, NIS, pension, food stamps, interest income, dividend income, and windfall.

Source: Author's calculations based on data in PIOJ and STATIN (2002).

Source: Kirton in IDB, *Beyond Small Change,* 2005.

Table 7.2. Remittance Flows into Mexico by Type of Migrant, 1993–94

	Temporary migrants		Permanent migrants	
Type of migrant	Total ($ thousands)	Amount per migrant[a] ($)	Total ($ thousands)	Amount per migrant ($)
Monthly earnings	285,297	851	190,336	1,218
Monthly remittances	158,824	474	48,754	312
Yearly remittances	1,470,110	4,385	585,045	3,745

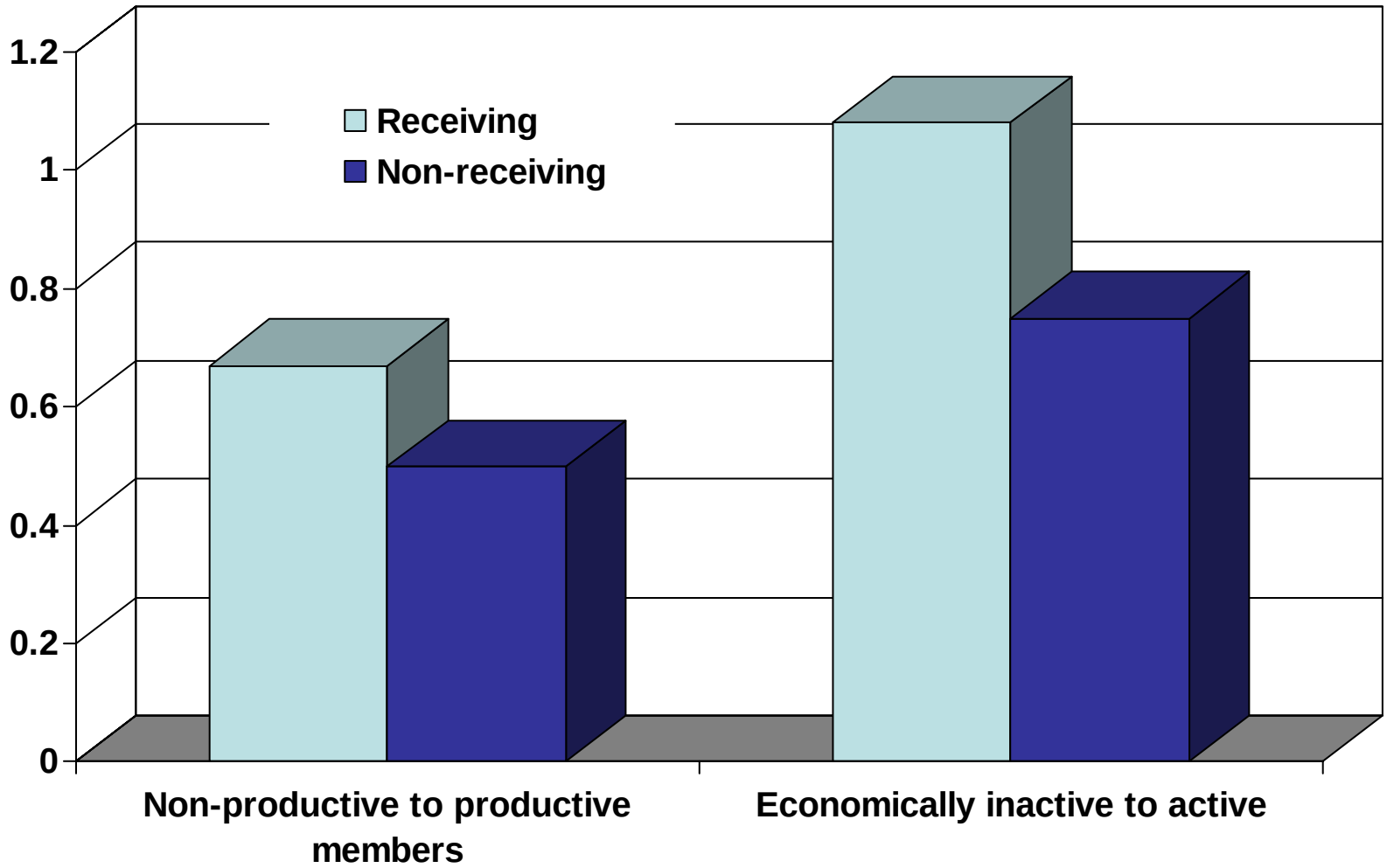
[a] Based on the average number of months worked in the United States (9.25 months).
Source: Corona 1994.

Permanent migrants send more in absolute terms

Temporary migrants sent more as % of their income

Source: Zarate-Hoyos in IDB, *Beyond Small Change.*

Reduced labor supply in Mexico?



BUT 50% of rural recipients are self-employed

Source: Zarate-Hoyos in IDB, *Beyond Small Change.*

Profiles of Senders and Receivers

Significance of profiles

- Family and community social dynamic
- Economic situation/standard of living
- **Geographic/spatial characteristics**
- Education and financial literacy
- Strength of transnational networks
- Country-specific drivers and determinants

Profiles of Senders and Receivers

Geographic/spatial characteristics

Senders

Tightly-knit enclaves (ex. Miami, LA, NY)

Complex of nationalities with shared language

Rural agricultural jobs

Inaccurate data, underestimates

Distance from home, ability to travel

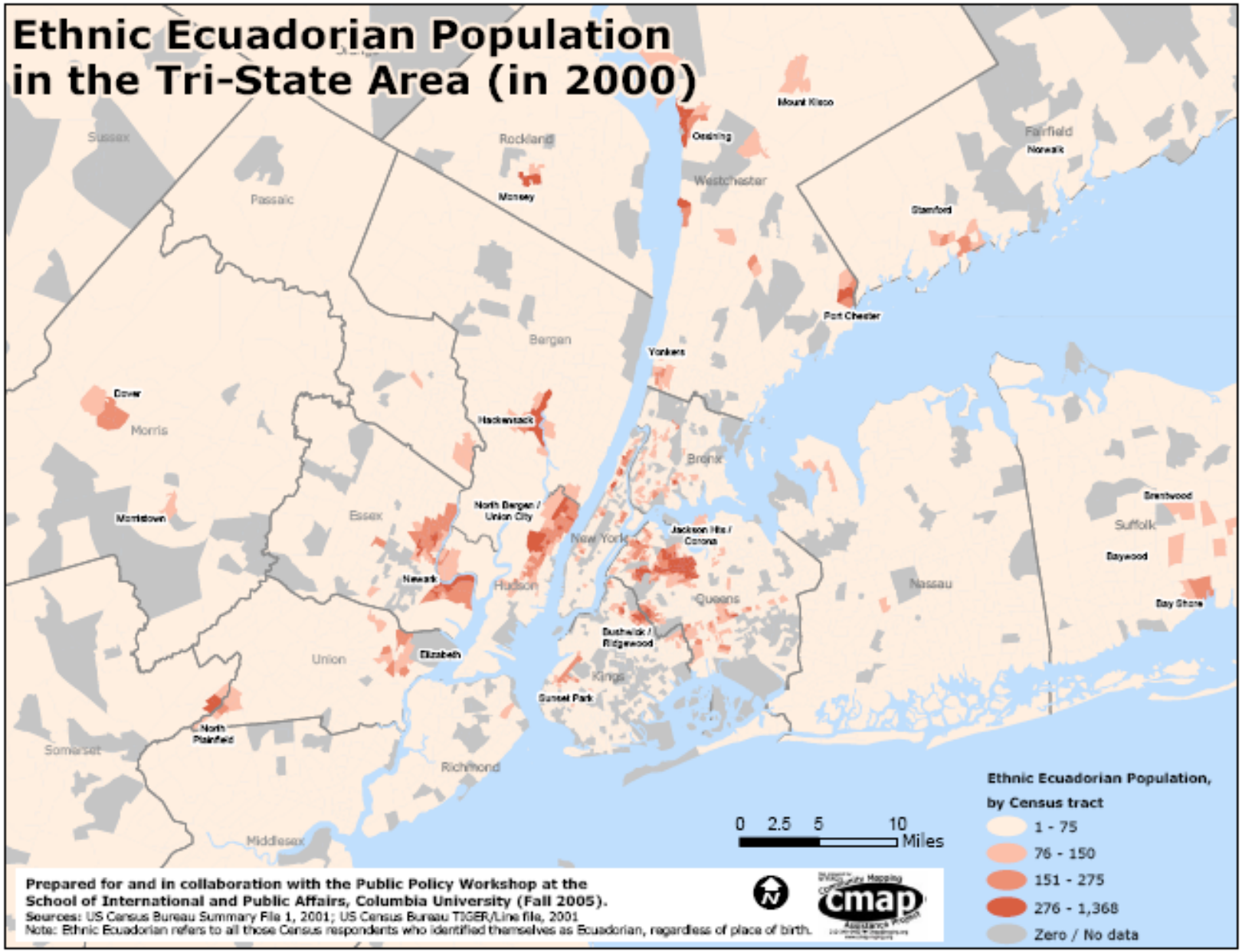
Receivers

Urban/rural setting

Concentration, later dispersion

Lack of data, unofficial sources

Return migrants move to cities?



Source: *Leveraging Remittances for Development,* SIPA Housing and Remittances Workshop, 2005.

Profiles of Senders and Receivers

Significance of profiles

- Family and community social dynamic
- Economic situation/standard of living
- Geographic/spatial characteristics
- **Education and financial literacy**
- Strength of transnational networks
- Country-specific drivers and determinants

Profiles of Senders and Receivers

Educational background and achievement

Senders

Socioeconomic status in home country

Quality of and access to education in home country

Return to education in host country

Intergenerational trade

Receivers

Access to education

Return to education in home country

Availability/quality of services

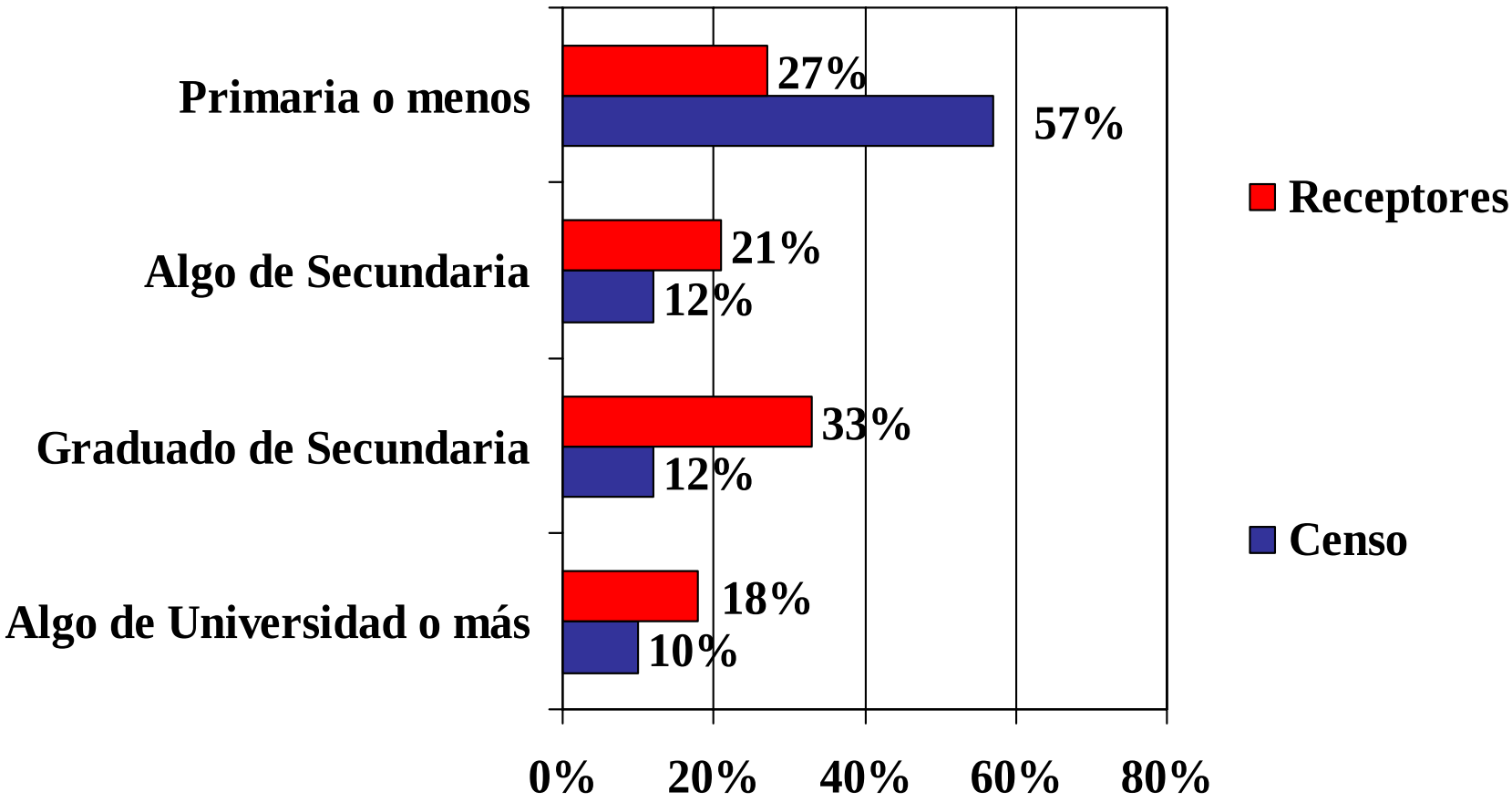
Work vs. school

Education of Senders

DEMOGRAPHICS			
	Colombia	Ecuador	Mexico
Average Age	41	36	33
Schooling:			
Primary	5%	33%	21%
Secondary	31%	40%	41%
Beyond Secondary	64%	26%	38%
Employment	85%	83%	80%
Use Internet at Least Monthly	76%	47%	51%
Main Source of Info: Latino T.V.	82%	85%	86%
Average Monthly Income	$1,926	$1,592	$1,543
Average Years in USA	9	9	8
Percentage Undocumented	35%	48%	49%

Source: *Making Remittances Work for Development,* SIPA Housing and Remittances powerpoint presentation, 2005.

Ecuador (2003)
Education : Receivers vs. Census



Source: Bendixen and Associates, *Survey of Remittance Receivers in Ecuador,* 2003.

Profiles of Senders and Receivers

Financial literacy and education

Senders

Cash economy

Alternative vs. formal services

Direct vs. proxy use

Varied comfort with formal finance

Understanding of products and prices

Receivers

Bank account holders

Access to credit, ATMs

Informal finance

Lack of infrastructure

Macroeconomic instability and banking crises

Since 1980s/1990s, a history of economic
and financial crises

Thousands of savers lost money in both commercial banks, state banks and credit unions

Resolution = 2% - 20% of GDP

Profiles of Senders and Receivers

Significance of profiles

- Family and community social dynamic
- Economic situation/standard of living
- Geographic/spatial characteristics
- Education and financial literacy
- **Strength of transnational networks**
- Country-specific drivers and determinants

Profiles of Senders and Receivers

Strength of transnational networks

Senders

Time in host country

Travel to home country

Political involvement

Marriage/children in host country

Location w.r.t. others from same country

Receivers

Prevalence of migration

Probability of migration

Expect migrant return?

Travel, communication

Central Americans in the US: More foreign born than native vs. other Hispanics

Table 8.2. Persons of Hispanic Origin in the United States by 1990 (percent)

Country	Native-born	Foreign-born
Costa Rica	31.08	68.92
El Salvador	18.83	81.17
Guatemala	19.64	80.36
Honduras	22.95	77.05
Nicaragua	18.93	81.07
Panama	32.95	67.05
Central America	20.98	79.02
All Hispanics	64.19	35.81

Source: U.S. Census Bureau, 1990 Census.

Source: Orozco in IDB, *Beyond Small Change,* 2005.

Profiles of Senders and Receivers

Significance of profiles

- Family and community social dynamic
- Economic situation/standard of living
- Geographic/spatial characteristics
- Education and financial literacy
- Strength of transnational networks
- **Country-specific drivers and determinants**

Political instability, natural disasters and their cost

Civil war
Political turmoil
Interethnic conflict

Hurricanes ($1-6 bn)
Floods ($3.2 bn)
Earthquakes ($1-6 bn)
El Nino ($7.7 bn)

Profiles of Senders and Receivers

Social, economic and political outcomes

Mistrust of institutions (public and private)

Discomfort w/ host country, sentimentality about home country

Economic dynamism or stagnation/isolation

Political empowerment in home/host country?

Cultural assimilation/adaptation or limited/selective integration over long term

Remittances as substitute for wages

Profiles of Senders and Receivers

Outcomes and impact on services

Brand-focused, advertisements

Recommendations of friends and family

Soft factors - comfort with institution

Choice of channels - convenience/reliability

Bundling – phone cards, legal services, travel

Not focused on price, foreign exchange

Orozco 5Ts – trade, transport, telecom, transfers, tourism ***BUT NOT BANKING***

Profiles of Senders and Receivers

Will behavior change? How? What are "productive uses"?

Public policy responses

Financial literacy programs - FDIC

Special accounts – "Banking the unbanked"

Information – Mexico "Quien es Quien?"

Regulation – Community Reinvestment Act

Business development, microfinance, housing

PRIVATE SECTOR RESPONDS TOO… STAY TUNED…