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Joint UNECE/World Bank/US Census Bureau Expert Group Meeting on the Contribution of Household Surveys to Measuring Remittances
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HOUSEHOLD SURVEYS OF THE REMITTANCE SENDING PRACTICES OF IMMIGRANTS IN DEVELOPED NATIONS

Background Paper *

1. Introduction

This paper is broadly situated within a “migration and development” framework. It examines the potential uses of household surveys on the remittance sending practices of immigrants living in more developed countries (MDCs) for reducing poverty and generating opportunity for their family members and others in less developed countries (LDCs). The review gives particular attention to the use of such surveys for better understanding the amount of money that immigrants remit and the purposes for which these funds are sent. Attention is given to a number of challenges that face the design of such surveys and the range of explanatory variables that they can measure in order to answer both research and policy relevant questions.

The paper argues that our understanding can be expanded by examining the motives, strategies and practices of remittance senders as part of a process of transnational community relations. Household remittances both express and mediate the attachments and transnational connections of remittance senders. From this perspective, the research challenge is two-fold. First, it is to measure the volume of remittances sent from MDC households and how this volume varies between households and over time. Second, it is to also measure and analyze the circumstances, motives, strategies, and outcomes that explain

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rise and fall of remittance sending. Policy implications flow from this broader understanding.

2. Main Data Sources

Studies of remittance flows are based primarily on one or another of the following three kinds of data sources: information derived from banking information on international financial flows; household surveys on remittance receipts in LDCs, and household surveys of remittance sending practices in MDCs. Each of the three sources potentially provides distinctive information on remittance flows to LDCs and their real and potential impacts. Each source also provides opportunities for cross validation of data from other sources. All three data sources and related objectives are therefore important.

Household surveys in MDCs are particularly useful for:

- The verification of country-to-country remittance flows from other data sources.
- Analyzing barriers and constraints to remittance sending, such as the costs and quality of services provided by money transfer agencies.
- Explaining variation in remittance sending in terms household variables, such as household income, number of dependent relatives living abroad, attachments to home institutions, and frequency of contact with family members abroad.
- Understanding non-monetary transfers by individuals and households.
- Understanding household contributions to the collective transfers to home-country institutions (such as churches, schools, and municipalities).
- Comparisons of MDCs with respect to the flows of remittances sent from each country and the reasons for variation in these amounts.
- Understanding net remittance receipts. Households in MDCs both send and receive remittances from abroad. For example, individuals and households in MDCs receive payments in support of foreign students.

Whether surveys of remittance senders will achieve the various objectives they can usefully address depends on the quality of the data they generate and various aspects of sample design and survey content. The following sections examine some of the survey design and content issues relevant studies of remittance sending.

3.0. Sample Design Issues for Surveys of Households in MDCs

Surveys of remittance sending practices of households in MDCs are often very different with respect to their objectives, sample designs and conceptualization of relevant variables to be included. One might design a large and complex survey that would address many objectives. But such a survey could be difficult and costly to carry out. Large surveys are necessary for certain objectives, but can be more efficient if they are limited to key variables. Smaller surveys can serve for other objectives. Consider the following examples.

If the objective of the survey of MDC households is to verify remittance flow and remittance receipts obtained from other data sources, then a relatively large and fully representative national sample is required. The same is the case for studies that hope to

contribute to the comparative analysis of MDC remittance sending. In both cases, the samples must include all households, both those that send remittances and those that do not. If the objective also includes the study of country-to-country flows, then the sample will have to be large enough to capture reliable sub-samples of individuals and households that send to main remittance destination nations. Studies comparing different MDCs with respect to national remittance outflows to LDCs will also need to be based on large samples if they wish to control for the country of destination as a potentially very important explanatory factor.

One way to reduce the size and scope of the samples would be to assume that remittances to LDCs are sent primarily by immigrant households. In this case, the MDC household surveys can focus on households with immigrants. The risk is that such a focus would leave out second generation individuals and non-immigrant households that may also send remittances.

Studies that seek narrower goals may be based on rather small and non-random samples. This would be the case if the objective is understand how often senders remit money and how the amounts sent and frequency of sending are affected by money transfer costs and the quality of money transfer services. The IDB sponsored a series of surveys focusing on amounts sent and costs incurred by interviewing individuals who were exiting the premises of money transfer agencies. The surveys examined how remittance senders' views on transfer costs, the ratio of transfer costs to the amounts sent, and knowledge and use of alternative forms of transferring remittances (the use of banks rather than money transfer agencies, etc.). Such narrow "marketing" studies are relevant for developing knowledge and policies to reduce transfer costs for remittance senders and achieve other development goals (such as linking remittances to micro-credit for receiving households). However, they do not respond to other important objectives that broader surveys of remittance sending practices can address.

Studies that are primarily interested in explaining household variation in remittance sending can be either large and national in scope or smaller and focused on particular immigrant groups and destinations. The advantage of a larger survey including immigrants from many countries is that the analysis can examine how country of origin of the remittance sender affects remittance sending. However, more focused surveys are also useful. These can examine the determinants of variation in remittance sending across households with immigrants from a particular country or range of countries, for example.

The content of any survey will depend on its objectives. Explanatory studies lend themselves to the most complex set of content issues. This is in part because of the wide range of relevant hypotheses and frameworks that have been advanced for explaining remittance sending practices.

4. Survey Content Issues for Explanatory Studies of Remittance Sending

The purpose of the short review below is to highlight some of the challenges faced by surveys of remittance senders. The review draws particularly on the experiences of a small,

pilot study (N=300 households) of Jamaican in Toronto and Haitians in Montreal, here after referred to as the JIT-HIM study (Simmons, Plaza and Piche, 2005):

<http://www.yorku.ca/cerlac/abstracts.htm#remittances>

Remittances. Defining remittances in one-round household surveys seems at first glance to be a relatively simple matter. Individuals and households can be asked how much money and goods they have sent to family and others abroad over the recent past, such as the previous year. In practice, these questions turn out to be more challenging. The experience of the JIT-HIM study drew attention to the following issues.

- Few respondents keep accurate records of remittances sent. They tend to recall the amount sent and the date of the most recent transfer, but previous amounts and dates are less clear in their memory. Part of the problem is that most respondents do not remit on a fixed schedule; rather they send funds when they have a recent paycheck or when they recall that the recipients face some particular need. They often send relatively small amounts (around Can\$100 per transfer) many times a year. With gentle encouragement and probing, respondents were generally able to reconstruct remittance transfers over the previous year.
- The patterns of remittance transfers is very uneven over time. A twelve month period serves well to take into account that remittances and related gift giving may coincide with the start of the school cycle, demands arising from seasonal weather destruction, (hurricanes, etc.), or cultural occasions in which transfers and gift giving are mixed (birthdays, weddings, retirements, the birth of children, Christmas, etc.).
- Transfers are particularly large in periods of crises in the receiving households. The crisis may be caused by a death or illness in the family. It may also be the result of economic and political turmoil in the home country. Or it may be the result of a hurricane. If the focus is on transfers to specific countries, then the amounts sent may vary widely from one year to another. Such variation is difficult to capture retrospectively, but can be estimated by asking respondents to provide information on variation in amounts sent over a longer period of five years, for example, and the reasons for such variation.
- Some transfers of exceptionally large amounts that would be classified as “outliers” and might be eliminated in statistical analyses. In a qualitative survey it is possible to get reasons for such large transfers. The JIT-HIM study found that such transfers are often of a life-time character. Frequently, they involve a major investment in property. The purchase may have multiple objectives: a place where aging parents can live; an investment expected to rise in value; a vacation home; a place to eventually retire, and so on.
- Respondents recall the dates and nature of recent transfers in kind rather clearly, but in some cases they have considerable difficulty accurately assessing the monetary value of the goods sent. For example, Jamaican households in Toronto typically send a barrel of goods once every year or two. Each barrel typically contains “gifts” for many different people. The goods sent are often accumulated in small amounts over many months in different sales and stores. Some of the items sent are not costly, but are chosen carefully thinking of the recipient. Others may be small but costly—respondents noted the high demand for expensive designer

running shoes at home. Interviewers were able to help respondents reconstruct the contents and approximate value of the last barrel sent, but this took considerable time.

- Household surveys also face a challenge in estimating transfers to non-profit institutions serving households (such as churches, charity groups, schools). In the JIT-HIM survey we noted that funds for collective transfers were typically generated through many small voluntary contributions, bake sales, sales of donated goods, etc. over many months. One alumni association makes a large donation to its school every five years. Church and community organizers know the amounts sent (sometimes they are considerable). While the funds originate largely in households within the immigrant community, household surveys do not capture this very well. We were able to obtain information on whether or not the respondents recalled having contributed to a collective transfer, but not specific amounts contributed.

Explanatory Variables:

- Financial resources of sending households. The JIT-HIM study faced the well-known challenges of measuring income. Respondents are resistant to such questions for many reasons. They were more open to placing themselves within a range of income selected from options offered to them. Questions on house ownership and rental costs were helpful supplements. Respondents answered such questions more openly.
- Financial obligations. Day-to-day financial obligations may limit the funds that immigrant families have left over for support of family members abroad. These obligations may arise from the size and age-composition of the immigrant family, or from mortgage payments required to purchase a house. The JIT-HIM pointed to one of the conceptual challenges of defining financial objections as being separate from remittance obligations. For many respondents the two are part of the broader category of total financial obligations, hence decisions on allocation are within this set.
- Obligations to family abroad. The simplest measure is whether or not the immigrant family still has close relatives (siblings, children, parents) in the home country. A more complex measure would include other relatives for whom the immigrant family feels some responsibility. One can imagine a further refinement in terms of perceptions of the degree of responsibility and the needs of these family members. In the JIT-HIM survey we were able to gather some qualitative information on perceptions of responsibility. These suggest possible survey questions for future studies.
- Migrant status. This is a potentially very important variable in explaining remittance flows, but one we were unable to explore in all aspects in the JIT-HIM study. Those interviewed were immigrants. Most parent-child families were intact. It was possible, of course, to measure precisely the amount of time they had spent in Canada and which relatives remained in their home country.
- Transnational communications and emotional attachments. These may be key variables for explaining remittance flows. The contemporary worlds is

characterized by low cost of international telephone calls, the possibility of transferring photographs, video clips and letters by email, and the availability of real-time satellite broadcasts of home-country news and sporting events that can be viewed by immigrants and their kin in home countries at the same time. These communication links potentially keep immigrants and their family members abroad in much more intimate and frequent contact than would have been the case in the past. In the JITHIM study, respondents readily recall the frequency of phone contact, since this is often on a fixed monthly, bi-weekly, or weekly (if not daily!) schedule. Phone contact in this study is a clear predictor of frequency of trips home and the amounts of funds remitted to relatives abroad.

- The Motives and Goals of Remittance Senders. The objectives of remittance senders may be particularly relevant to understanding the impact of funds sent on reducing poverty or promoting development through investment in schooling or business enterprises. Theoretical models point to alternative views of the motives behind remittance transfers. Some see remittances as altruistic, others as family reciprocity (fulfilling norms on what one should do for parents, siblings, nieces, nephews, etc.) and still others view it as self-interested behavior. The JITHIM study found support primarily for family reciprocity, with many migrants saying that they felt they owed their family and community something for the support they themselves had once received from grandparents, parents and aunts when they were growing up. However, there was also an element of self-interested behavior, as some funds sent abroad were to purchase properties for themselves or for the use of parents while they were still alive. Those who send funds to support the schooling of nieces and nephews saw this as benefiting the family and possibly opening opportunities for these young people to become future migrants to MDCs! Very few saw their remittances as making a contribution to revenue generating activities by their relatives abroad. An important policy question is how this perception and current set of objectives might be transformed through programs that provide more economic opportunities for remittance receivers.

5. Discussion and Conclusions

This review suggest that efforts to increase our understanding of remittance sending practices will be best served by a combination of (a) large surveys that selectively incorporate explanatory variables that can be more readily measured and (b) smaller more exploratory surveys on particular immigrant groups that examine a wider range of novel hypotheses, such as those concerning the nature of transnational family attachments and communication in the social process that generates remittance flows. The smaller studies with qualitative components are particularly suited for examining hypotheses on the shared perceptions of remittance senders and receivers on the best uses of remittance funds. A major policy question is the whether such perceptions are currently too limited in scope and how they might be expanded through new measures that would generate greater benefits for the recipients (and greater satisfaction for the senders).