



*REMITTANCE SENDERS AND RECEIVERS:  
TRACKING THE TRANSNATIONAL CHANNELS*

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*This report summarizes joint efforts over the past two years of the Multilateral Investment Fund (MIF) and the Pew Hispanic Center (PHC) regarding the issue of Remittances to Latin America and the Caribbean. This report has been prepared by Roberto Suro, Director of the Pew Hispanic Center.*

## **INTRODUCTION**

Across the United States some six million immigrants from Latin America now send money to their families back home on a regular basis. The number of senders and the sums they dispatched grew even when the U.S. economy slowed, and looking to the future, the growth seems likely to continue and potentially to accelerate. The total remittance flow from the United States to Latin America and the Caribbean could come close to \$30 billion this year, making it by far the largest single remittance channel in the world. These funds now reach large portions of the populations in the region—18 percent of all adults in Mexico and 28 percent in El Salvador are remittance receivers—and the impact is no longer limited to the countryside or to the poor. Taken altogether these indicators suggest that the remittance traffic in the Western Hemisphere has crossed a threshold not only in magnitude but also in significance.

Since the year 2000, the Multilateral Investment Fund (MIF) of the Inter-American Development Bank (IDB) has been addressing the issue of remittances and their impact on development in the Latin American and Caribbean region. Numerous governments, financial institutions, international development organizations, and scholars recognize that immigrant remittances now constitute a source of vital income to many developing countries and an important form of economic activity among nations. That is the macro picture. To better understand those developments as well as the micro picture, the Pew Hispanic Center (PHC) and the Multilateral Investment Fund conducted a series of studies in 2003 that collected information on remittance sending and receiving from some 11,000 individuals in the United States and Latin America. This research includes two separate projects: The 2003 National Survey of Latinos conducted by the PHC and the Kaiser Family Foundation in the United States. And, a series of surveys and focus groups conducted by the MIF and the PHC in Mexico, El Salvador, Guatemala, Honduras and Ecuador with fieldwork performed by Bendixen and Associates.

Key findings from the 2003 National Survey of Latinos on remittances include:

- In the United States, 42 percent of adult, foreign-born Latinos, some six million people, regularly send remittances to family members in their countries of origin.
- Wire transfer companies such as Western Union or Money Gram remain by far the most common means of dispatching remittances with 70 percent of senders reporting that they use such firms. Banks are used by 11

percent while 17 percent of senders use informal means such as the mail or individuals who carry the funds by hand.

Key findings from the 2003 MIF-PHC studies of remittance receiving populations in Latin America include:

- Broad sectors of the adult populations in all the nations studied are receiving remittances: 14 percent in Ecuador, 23 percent in Central America and 18 percent in Mexico.
- Remittance flows were largely unaffected by the U.S. economic downturn of 2001-2002. In every country except El Salvador more than half of the recipients reported that they had started getting money from relatives abroad over the past three years.
- While in other countries remittance receipts are still concentrated in the lower rungs of the socio-economic ladder, in Mexico remittances are flowing to all sectors of Mexican society and to virtually every region. Most significantly, in Mexico there were no statistically significant differences between remittance receivers and the general population in age, educational profile or income distribution.
- The one characteristic that clearly distinguishes remittance receivers from the general population in all the countries studied is that a majority are women.
- In Mexico, 19 percent of all adults, representing some 13.5 million people, answered positively when asked, “Are you thinking about emigrating to the United States?” Remittance receivers were much more likely (26 percent) to have migration in mind than those who are not (17 percent).

At the simplest level, these studies underscore the fact that remittances are the expression of profound emotional bonds between relatives separated by geography and borders, and they are the manifestation of a profound and constant interaction among these relatives regardless of the distances between them. Decisions about where to seek income and how to spend funds are often the results of consultation. Even an individual’s decision to migrate frequently emerges from a family consensus about the need to develop a source of remittance income. These families, who live part in the United States and part in their country of origin, are, in fact, highly integrated transnational economic units.

Families linked by remittances are quintessential players in the era of globalization. Like entrepreneurs who seek out markets, capital and labor around the world, they too hop borders in search of competitive advantage. The United States may be a better place to earn wages; Mexico may be a better place to raise children.

Remittance senders and receivers live in what sociologist Manuel Castells calls the "space of flows." This is a timeless place marked by transnational networks operating beyond traditional institutions and communities. Although the term is more often applied to the very rich, it relates to these much humbler people as well. By facilitating migration, their family networks allow them to seek economic opportunity wherever it can be found, and their digital networks allow them to instantly convey money, information and affection across borders. They successfully rebelled against geography and redrew the map of the Western Hemisphere with new networks of economic interconnection.

Today's remittance flows to Latin America are an obvious outgrowth of the migration to the United States that has been building momentum for a quarter century. These two phenomena are now closely interconnected. They form part of a single channel through which people move north and money moves south. The efficient functioning of this channel is now clearly central to the social and economic stability of many countries across the hemisphere. The U.S. economy demonstrated a tremendous appetite for immigrant workers during the boom times of the late 1990s and continued to provide job openings for substantial numbers of new arrivals even during the slack times in 2001 and 2002. In Latin America, remittances are essential to the survival of millions of families and of whole national economies.

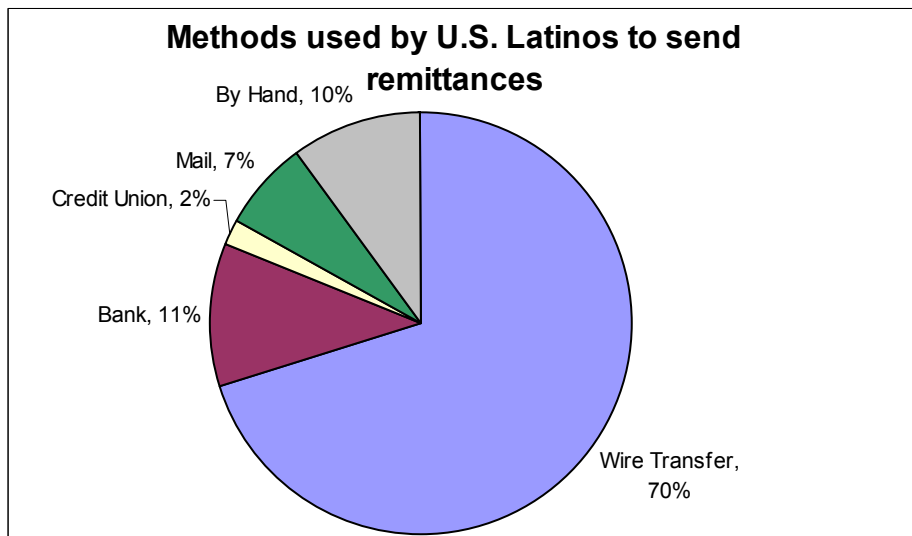
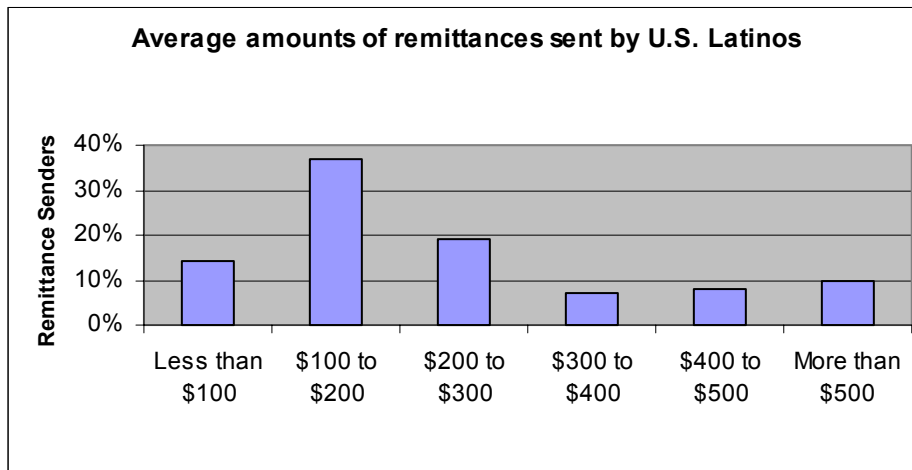
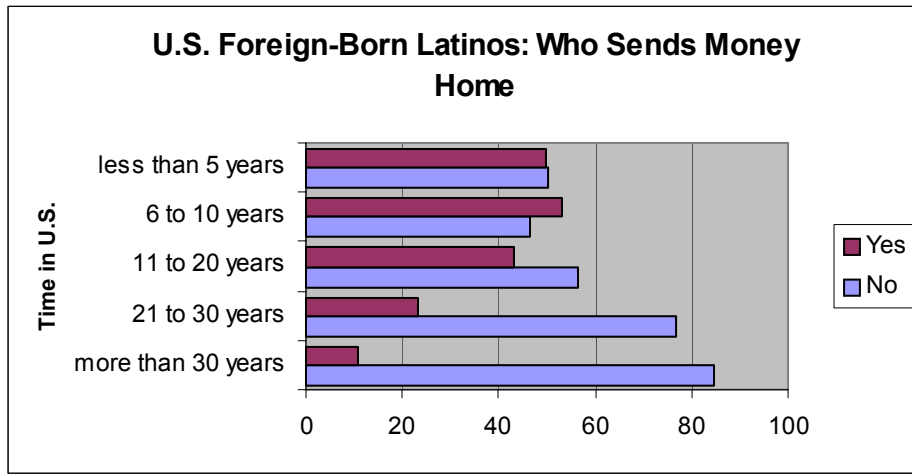
The PHC-MIF studies show that these funds are keeping large numbers of working-class families from slipping into poverty. If remittances were suddenly cut off, already fragile domestic economies would be imperiled by the drop in internal consumption. Moreover, though most of the money goes for food and rent, anywhere from a quarter and a third of remittance recipients report putting some of it into savings, educational expenses or small investments. Given the size of the flow, the fraction of total remittances destined for these uses far exceeds the economic aid and development assistance that wealthy countries like the U.S. are putting into the region. Often in the past, migration has been described as a "safety valve" that offered alternative opportunities to workers who could not find jobs in their home countries. While this continues to be an important aspect of migration, the movement of people out of Latin America has also become an important source of sustenance for those that remain behind and a significant source of income for Latin American economies. Migration is now not only an escape valve; it is also a fuel pump.

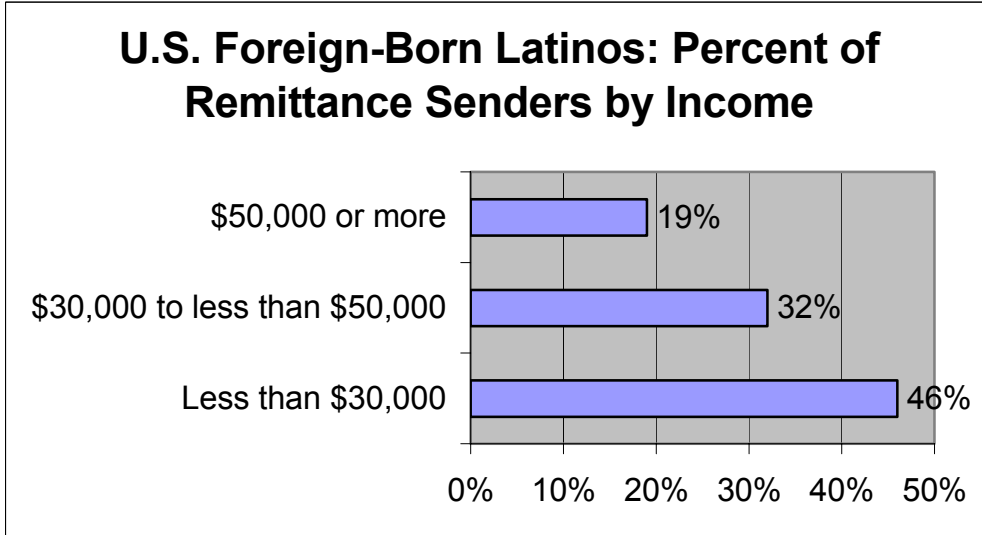
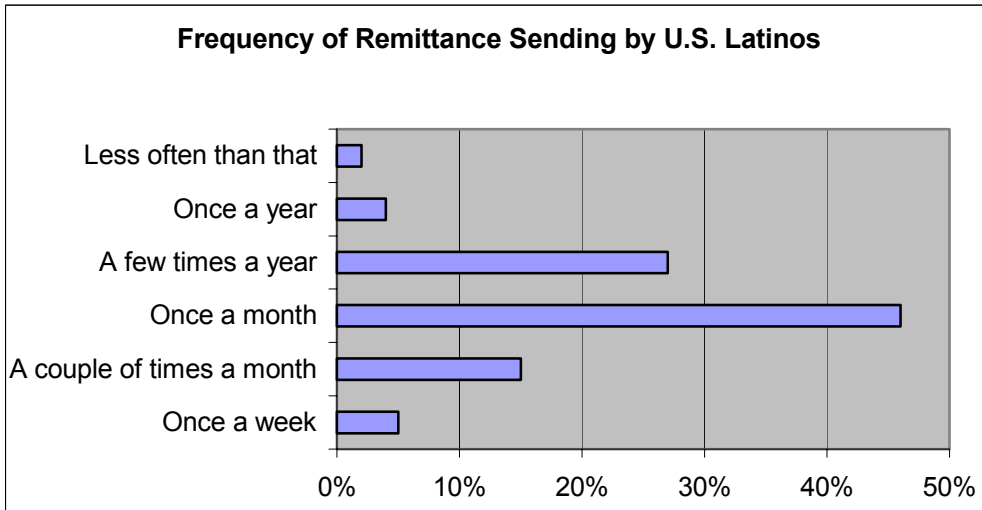
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## **THE SENDERS**

The 2003 National Survey of Latinos found that 42 percent of adult, foreign-born Hispanics—about six million people—send remittances home on a regular basis. But, remittance senders are not evenly distributed across that population and are instead concentrated among more recently arrived immigrants. About half of all Latino immigrants who have been in the United States for ten years or less are regular remittance senders. Even though, the money flow drops off among those with longer

tenure, a substantial proportion of immigrants (23 percent) who have been away from home for 20 to 30 years still send money back to their relatives.





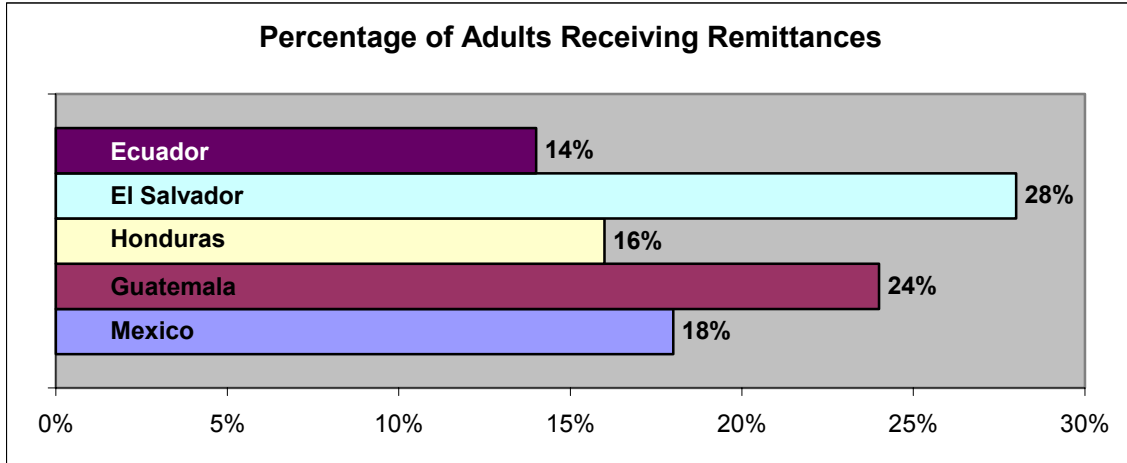
The MIF-PHC surveys among remittance receivers confirmed this pattern. In Mexico, for example, respondents whose family members have been abroad for five years or less were nearly twice as likely as those whose relatives had been away longer to report that they received remittances regularly.

Two-thirds of remittance senders dispatch money at least once a month, and the most recently arrived, those in the United States less than five years, are the most frequent remitters with three-quarters sending money at least once a month. Most remitters (56 percent) dispatch between \$100 and \$300 at a time.

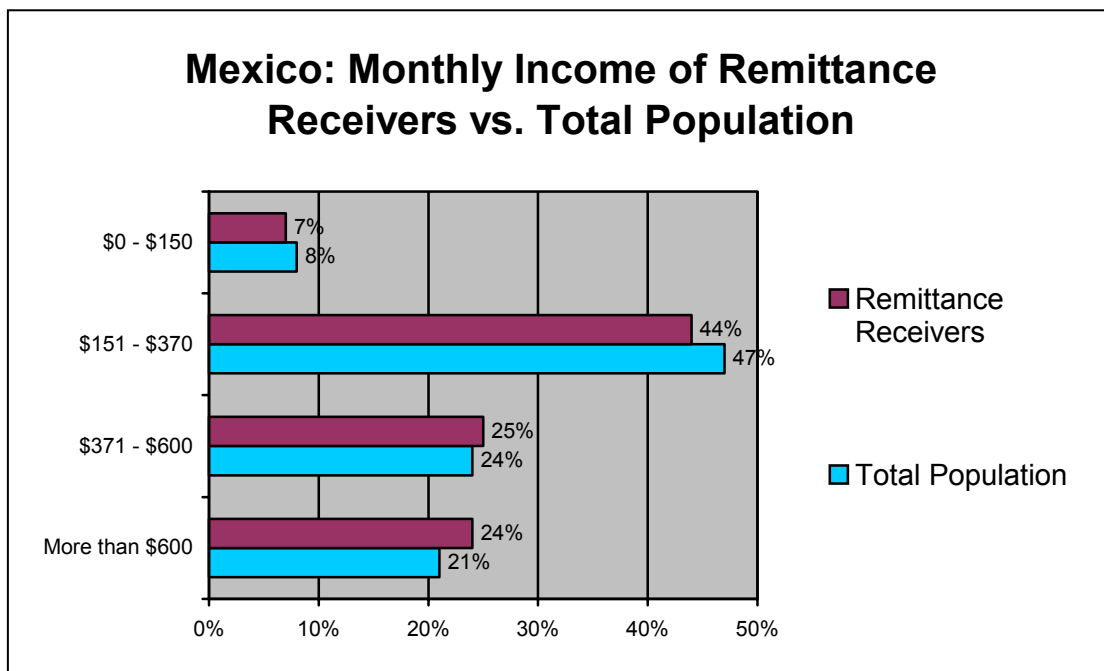
Wire transfer companies such as Western Union or Money Gram remain by far the most common means of dispatching remittances with 70 percent of senders reporting that they use such firms. Several major U.S. banks entered the market in the past two years with new remittance transfer products. Eleven percent of senders reported using

banks. A sizeable 17 percent said they used informal means such as the mail or individuals who carry the funds by hand.

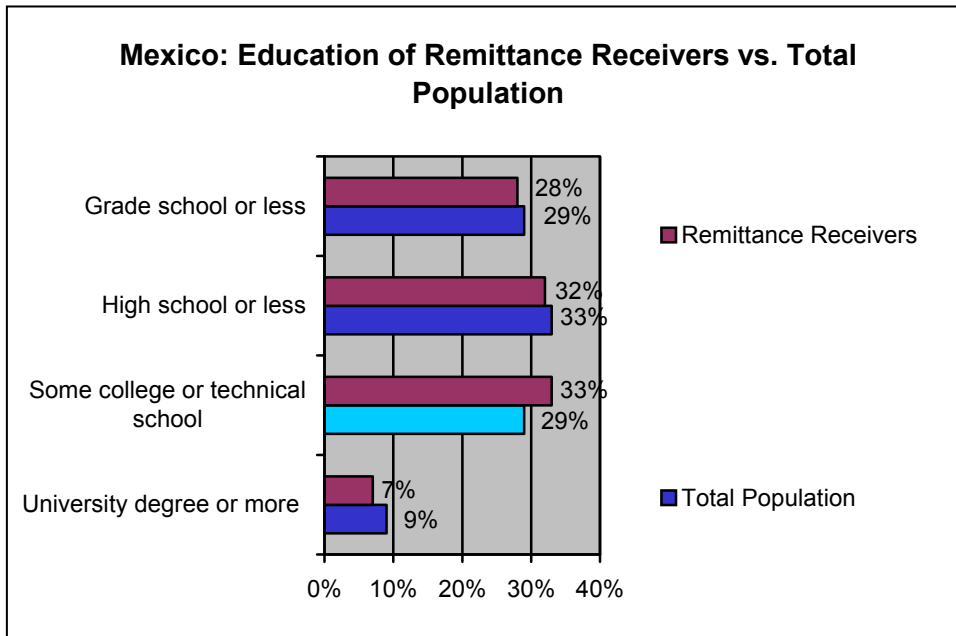
## **THE RECEIVERS**



The MIF-PHC studies conducted in five Latin American countries demonstrate that the remittance flow is reaching a broad swath of the population. Extensive nationwide public opinion surveys showed that from a low of 14 percent in Ecuador to a high of 28 percent in El Salvador significant portions of the adult population reported that they personally received remittances from a family member living abroad. Moreover, the survey findings should dispel any notions that this phenomenon is limited to or even substantially concentrated among the very poor.



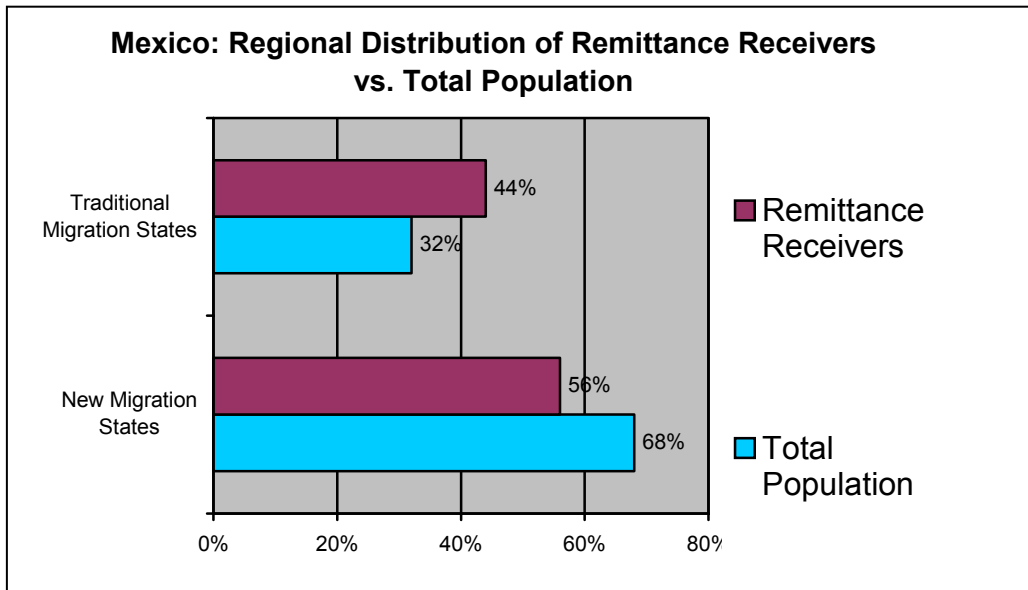




In Mexico, for example, the distributions of monthly incomes and educational attainment are virtually the same for remittance receivers as for the population as a whole. In Ecuador, the receivers are highly concentrated among those who are struggling just beyond the bottom rungs of the economic ladder. About half of remittance recipients earn between \$250 and \$500 a month while that segment makes up a little more than a quarter of the population. Similarly, remittance recipients are over-represented among those who have a high school education.

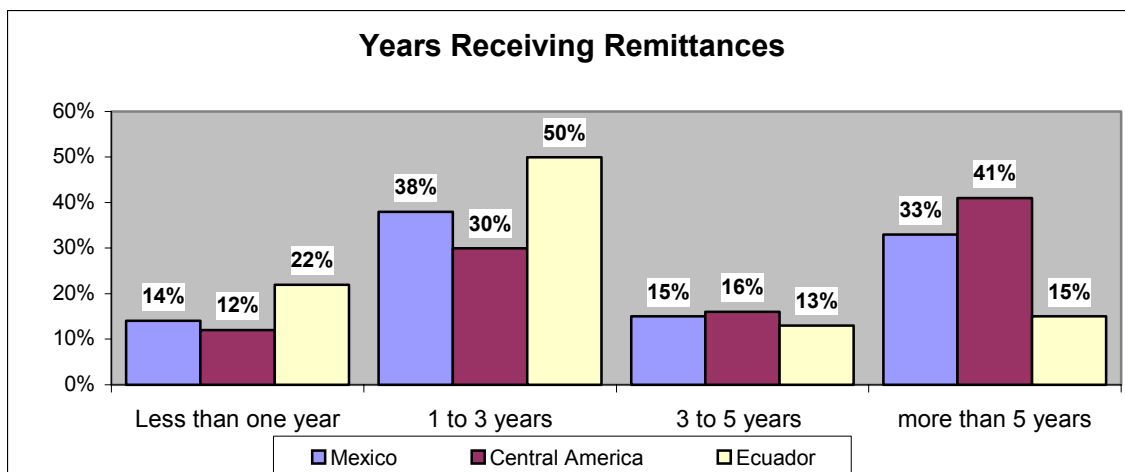
These findings are important in two regards. Any diminution in remittance flows will adversely affect the fragile midsection of society in such countries, threatening poverty for those who have something, but not a lot, to lose. Whether the cause is price increases, hyperinflation or something else, economic dislocations striking this population segment have contributed to political instability in many cases around the hemisphere. And, the widespread reliance on remittance income poses a new challenge to certain kinds of economic development strategies. Efforts to promote the investment of remittances in micro-enterprises and other forms of job-generating economic activity will need to reach beyond poor and low-skilled populations to reach their maximum impact. Similarly, programs that aim at diminishing migration pressures—often mentioned as a long-term component of a U.S.-Mexico migration accord—will have to be as broad-based as the remittance flow.

The widening impact of migration and remittance receipts is dramatically evident in geographic terms in Mexico.

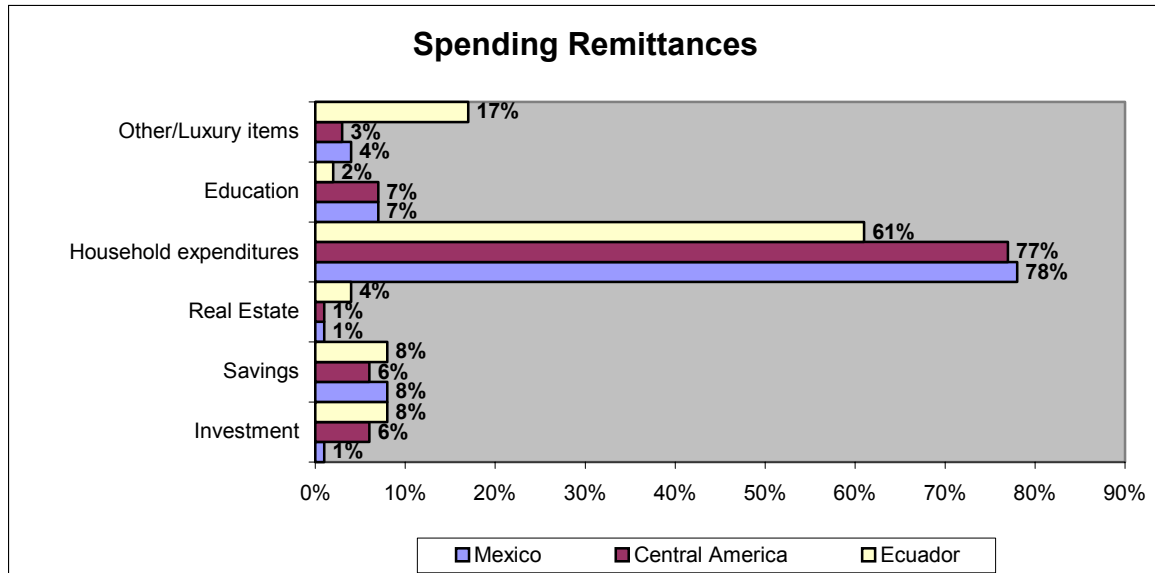


For many decades five states in Mexico’s central highlands—Guanajuato, Jalisco, Michoacán, San Luis Potosí, and Zacatecas—have been the primary source of migrants to the United States and the chief recipients of remittances in return. Those areas still receive a disproportionate share of remittances, 44 percent of the receivers live in those five states compare to only 32 percent of the population. Conversely, however, 56 percent of the remittance receivers live in the rest of the country.

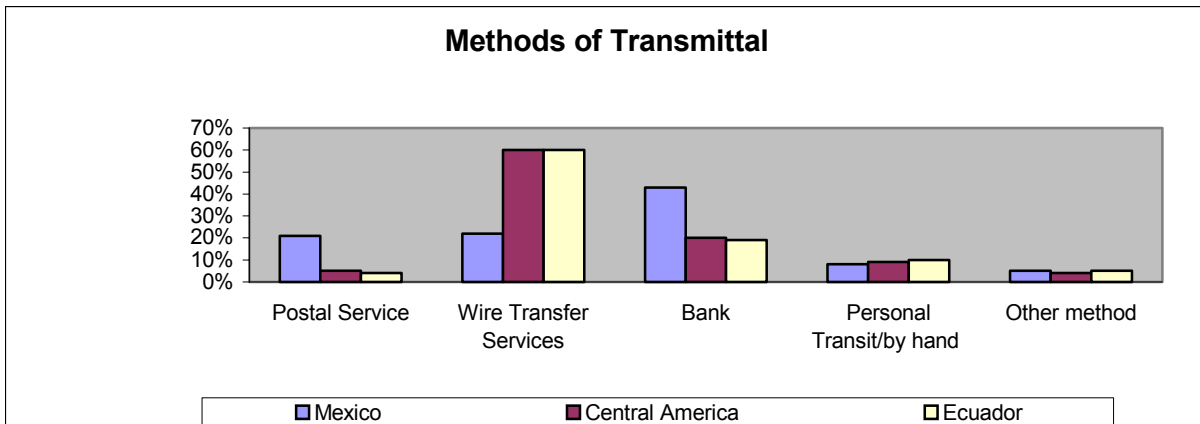
The economic impact of remittance flows is magnified by the fact that it is a remarkably steady source of foreign exchange earnings for developing countries. While foreign direct investment and other capital flows tend to fluctuate with market cycles, annual aggregate reports on remittance receipts by the MIF, the International Monetary Fund and the World Bank all demonstrate steady increases even when other flows have declined in economic bad times. The MIF-PHC surveys demonstrate that remittance flows were largely unaffected by the U.S. economic downturn of 2001-2002. In every country except El Salvador more than half of the recipients reported that they had started getting money from relatives abroad over the past three years.



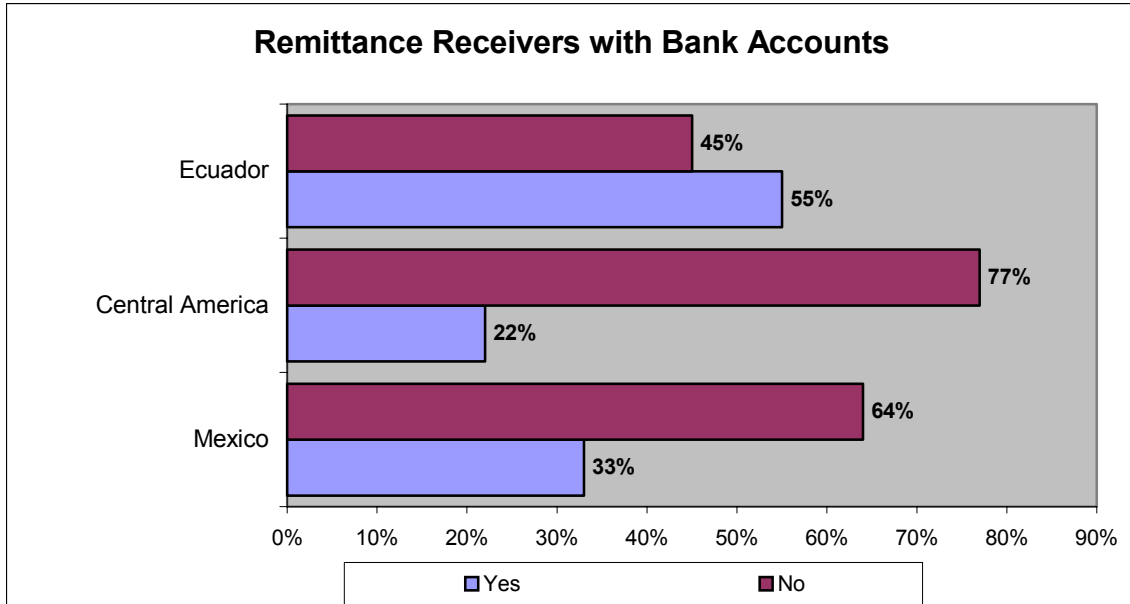
In all of the surveys, clear majorities of remittance receivers said they used the funds to pay for common expenses such as food, housing and utilities.



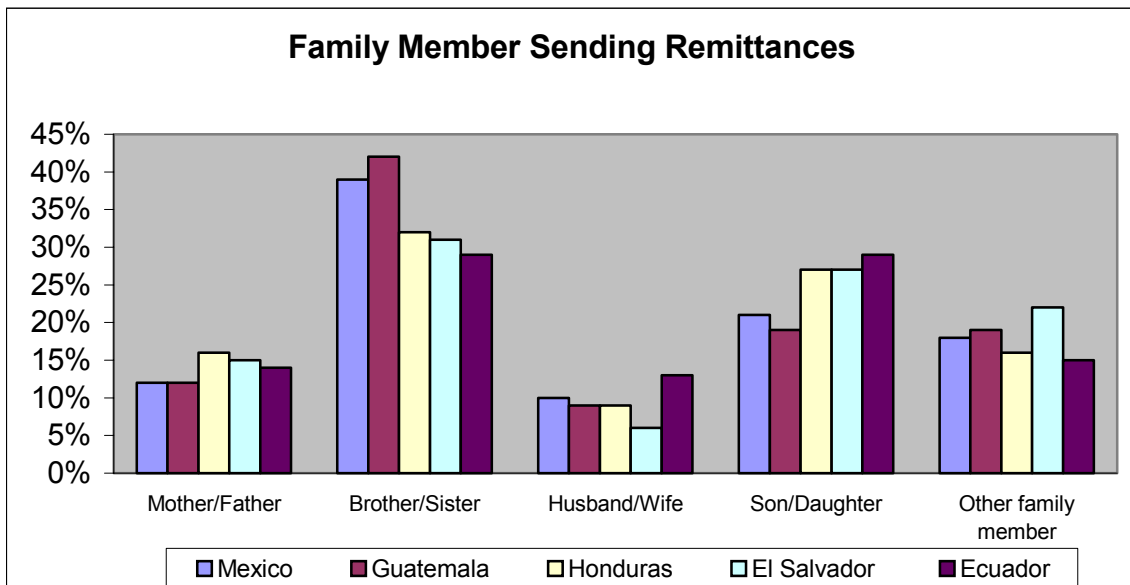
Typically, respondents indicated that three or four people in addition to themselves benefited directly from this household spending.

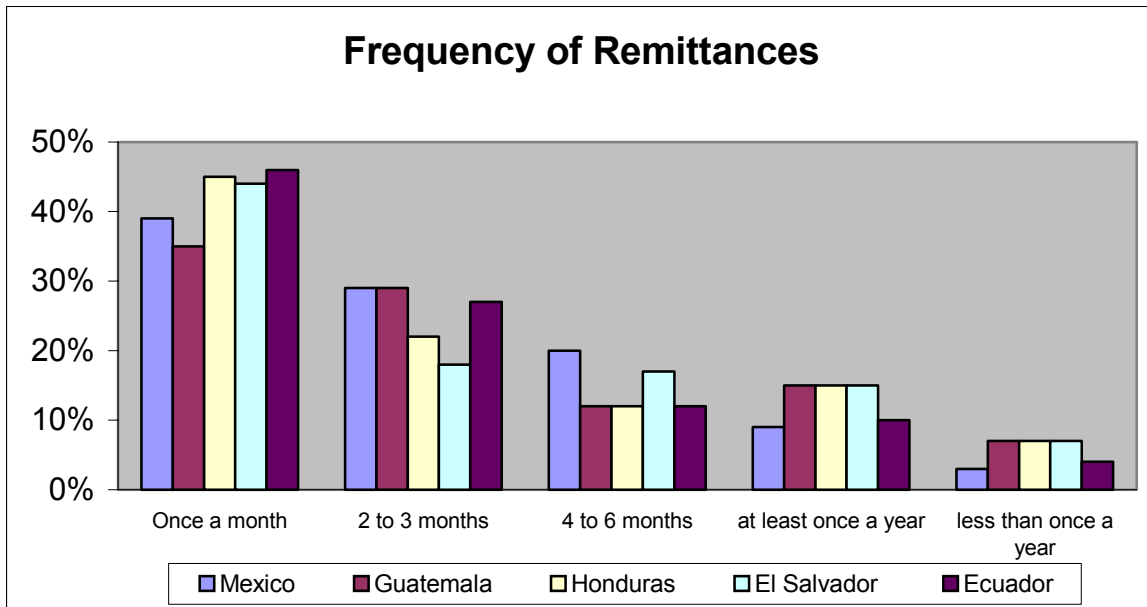


A significant difference emerged among the countries studied on the methods used by remittance recipients to collect funds. In Ecuador and Central America, wire transfer services are utilized by 60 percent of receivers.



In Mexico, however, 22 percent of receivers used such services and the share using banks to collect remittances was twice that in the other countries (43 percent vs. 20 percent in Central America and 19 percent in Ecuador). In Mexico, 33 percent of remittance receivers report having bank accounts compared to 22 percent of the general population. In addition, the use of banks appears to reflect an increasing number of financial arrangements by which remittances dispatched from a wire transfer service in the United States are collected at bank branches.





One characteristic shared by the remittance receiving population in all the countries studies is that a majority are women.

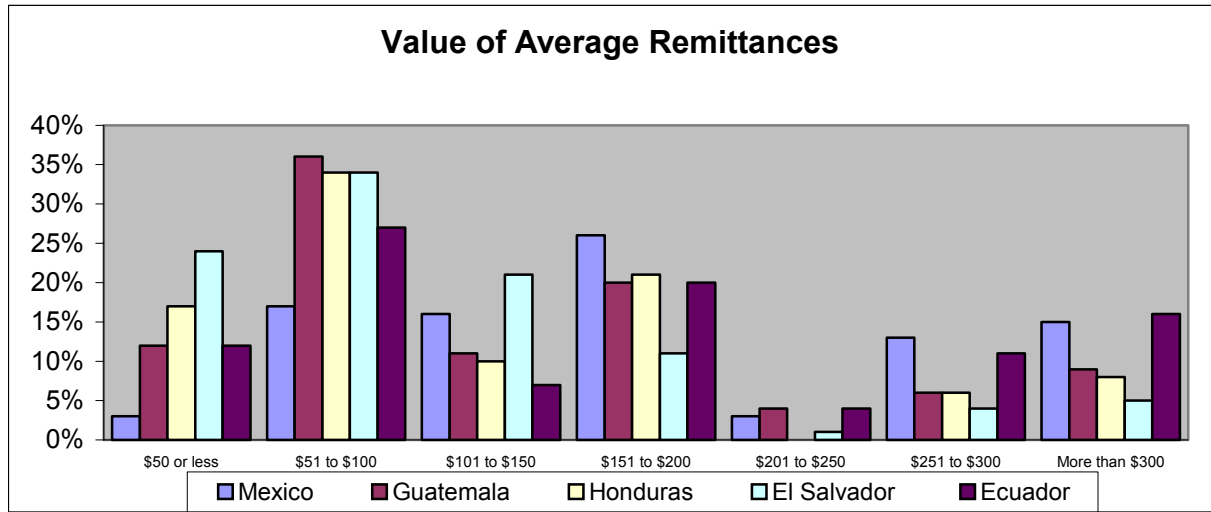
### REMITTANCE SCENARIOS

Migration flows and the resulting remittances have characteristics that vary sharply from one country to another. The MIF-PHC studies identified three models for the establishment of robust remittance flows.

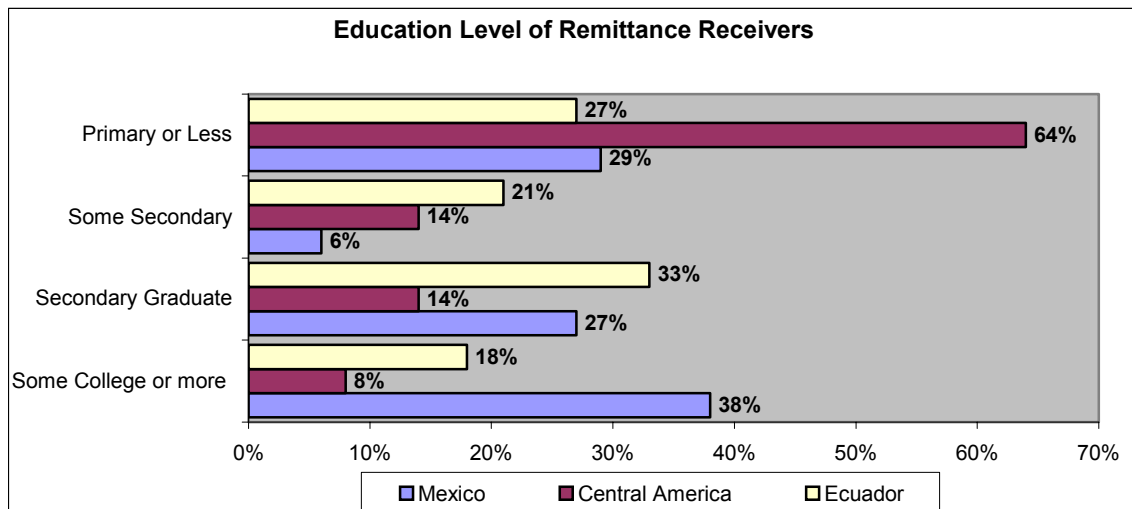
- ***Ecuador—Remittances as a Crisis Response***

While remittance sending is normally viewed as a result of migration, Ecuador’s recent experience illustrates how remittances can also function as an important cause of migration. In the traditional construct, migration results from a combination of “push” factors in the home country, such as rising unemployment, that impel a migrant to leave, and “pull” factors in the destination country, such as the ready availability of work, that draw a migrant to a new life. The Ecuadorian case and evidence elsewhere show that another factor must be taken into consideration in assessing the mechanisms that produce contemporary migration: The ability to establish a monetary flow from abroad quickly and of sufficient size to ensure a family’s economic survival is now a ready means of dealing with economic, political and environmental crises in much of Latin America.

The MIF-PHC study showed that rapid increases in both emigration and remittance receipts are closely linked to a series of crises that beset Ecuador at the end of the 1990s. The best available estimates indicate that remittance flows to Ecuador grew gradually in the early 1990s before breaking the \$500 million level in 1996.



Then, the aftermath of El Niño and the depressed oil market set an economic collapse in motion that was compounded by a period of political instability. Transfers from migrants exploded, approximately tripling in the next six years. Indeed, in the MIF-PHC survey conducted in March-April, 2003, about two-thirds of Ecuadorians who reported having a close family member living abroad said their relative had left within the past five years. And, about three-quarters of remittance receivers said they had been getting money from relatives abroad for three years or less. A majority of focus group respondents insisted that emigration was not merely the result of economic problems experienced by an individual or a family but rather was a response to a nation's economic crisis. Thus, the closure of banks, rapid currency depreciation, commercial bankruptcies and the overall atmosphere of financial instability were cited as causes of migration beyond unemployment and other personal economic losses.



Significantly, the study shows that recent migration from Ecuador is not merely an escape from a nation in economic distress. Instead, considerable evidence suggests

that the ability to send money home and thus to alleviate the economic suffering of family members left behind is a key motive for migration. Ecuadorians are leaving the country not only to better their own lives but also, very specifically, because they can improve the lives of loved ones by sending back remittances. In the MIF-PHC survey, 83 percent of respondents said they agreed with the statement, “One of the principal reasons that people leave Ecuador is so that they can send money back to their families.”

Among the five countries examined in the 2003 MIF-PHC studies, Ecuador is the only one that launched large-scale emigration after remittance transfers to Latin America began to escalate rapidly in late 1990s. As a historical matter then, it is the one migration purely of the remittance era. In the other scenarios examined below, existing migrations evolved into major sources of remittances. In the Ecuadorian case, remittances have been an integral, even causal element in the migration from the start.

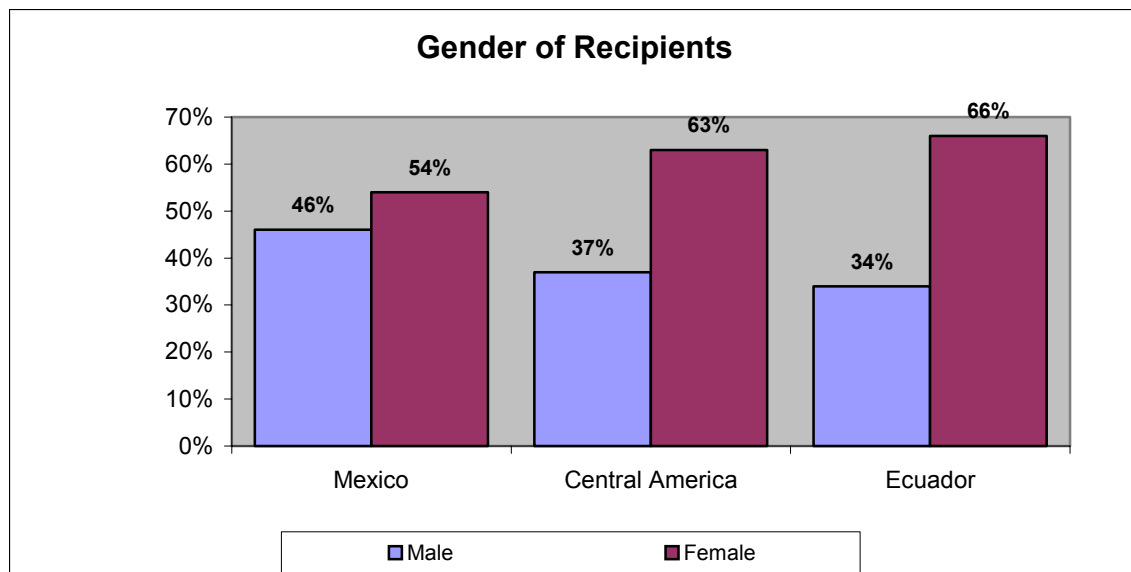
- ***Central America—Crisis Response Becomes Normalcy***

As in the case of Ecuador, migration from Central America to the United States and the resulting remittance flow started as a response to crises in the migrants’ home countries. The political turmoil of the 1980s and early 1990s sent substantial numbers of Central Americans fleeing to the United States, and since then other calamities such as Hurricane Mitch in Honduras, bouts of political instability in Guatemala and economic difficulties in all three nations have generated spikes in migration. These migration histories are reflected in the remittance flows. From 1980 to 1990 the value of remittances in the three countries studied here—Guatemala, El Salvador and Honduras—increased more than a hundred fold from approximately \$55 million to \$649 million (in constant 2001 dollars) according to data from the World Bank’s *World Development Indicators: 2002*. During that time the number of migrants from those countries living in the United States increased four fold from 197,000 to 800,000, according to the U.S. Census Bureau.

The 2003 MIF-PHC studies reveal that these remittance flows have had remarkable staying power. El Salvador has the oldest migration with 58 percent of adults with a relative abroad saying that a family member had been away for ten years or more, and 54 percent of remittance receivers saying money had been arriving from that relative for more than five years. A similar pattern is evident in Guatemala and Honduras although in those country the long-standing remittance flows constitute about a third of the totals compared to about a half in El Salvador.

Clearly, remittance channels that developed as a response to specific events have become an enduring fact of life for those countries and their diasporas. The value of remittances received by El Salvador has nearly tripled since its civil war ended in 1992. Moreover, the pattern of emigration linked to remittance sending has continued to replicate itself in response to both crises and ongoing lack of economic opportunities. Across the region 12 percent of remittance recipients said they had begun to receive money in the past year and 30 percent said the funds had been arriving from one to three years. Even in El Salvador, which has seen lower rates of emigration in recent years

compared to the civil war era, 29 percent of recipients said their remittances had been coming for three years or less.

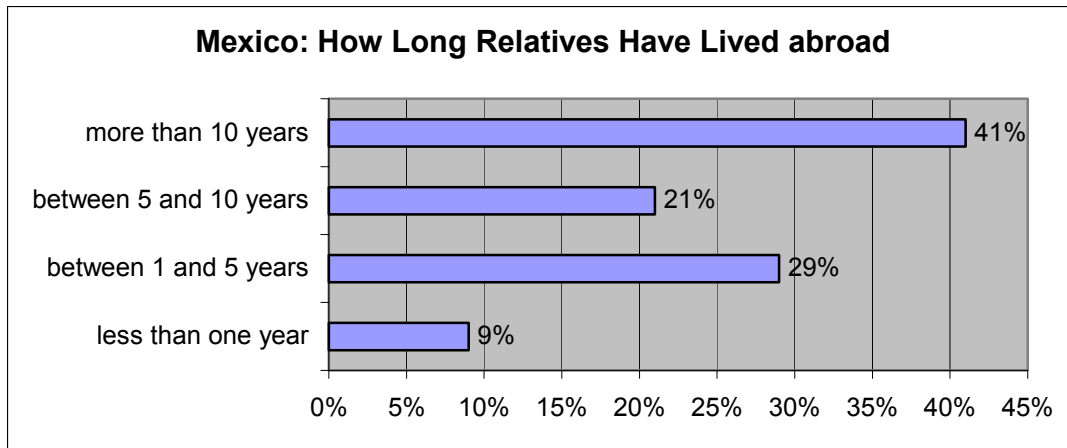


The pattern most evident in El Salvador—very rapid growth as a crisis response and then ongoing flows—also helps ensure that remittances become an essential element of a nation’s economy. According to the MIF’s annual compilation of Central Bank reports on remittance flows, *Sending Money Home: An International Comparison of Remittance Markets* (February 2003), remittance receipts accounted for 15.1 percent of El Salvador’s Gross Domestic Product in 2002. And, under this scenario, transnationalism becomes an essential characteristic of a nation’s population. When El Salvador’s civil war began in 1980, the U.S. Census Bureau counted 94,447 immigrants from that country. Now, with more than one million Salvadorans in the United States, more than half (52 percent) of all adults in El Salvador report having a family member living in the United States

- ***Mexico—Momentum and Acceleration***

The migrant stream and the remittance channel linking Mexico and the United States are older and larger than any other in the Western Hemisphere. No crisis or combination of events launched this migration. Rather, it is the product of a web of human and economic relationships dating well back into the histories of two neighboring nations. Nonetheless, both the migrant flows and remittance transfers between Mexico and the United States have shown an extraordinary capacity to accelerate in recent years. And, this growth has occurred in the absence of catastrophic events like those that prompted migration from Ecuador and Central America.





The U.S. Census of 2000 found that of the 9.2 million Mexicans living in the United States about half entered in the previous decade and nearly a quarter had entered before 1980. Thus, it is a population that is both new and old, and this fact is reflected in the remittance flows. The MIF-PHC study found that 14 percent of remittance recipients said they had been receiving money for less than a year and another 38 percent reported receipts starting between one and three years ago. These findings echo MIF estimates of the remittance flows based on Central Bank reports that show transfers to Mexico increasing from \$6.8 billion in 1999 to \$10.5 billion in 2002. Based on the study of remittance receivers, the total could reach \$14.5 billion in 2003.

The Mexican and Central American migration/remittance channels developed under very different circumstances and at different speeds. Yet, recent developments in both cases show that once such a channel reaches a certain magnitude, its growth can surge and that under present circumstances no crises or catastrophes are necessary to prompt a sudden acceleration in activity.

## **REMITTANCES AND MIGRATION**

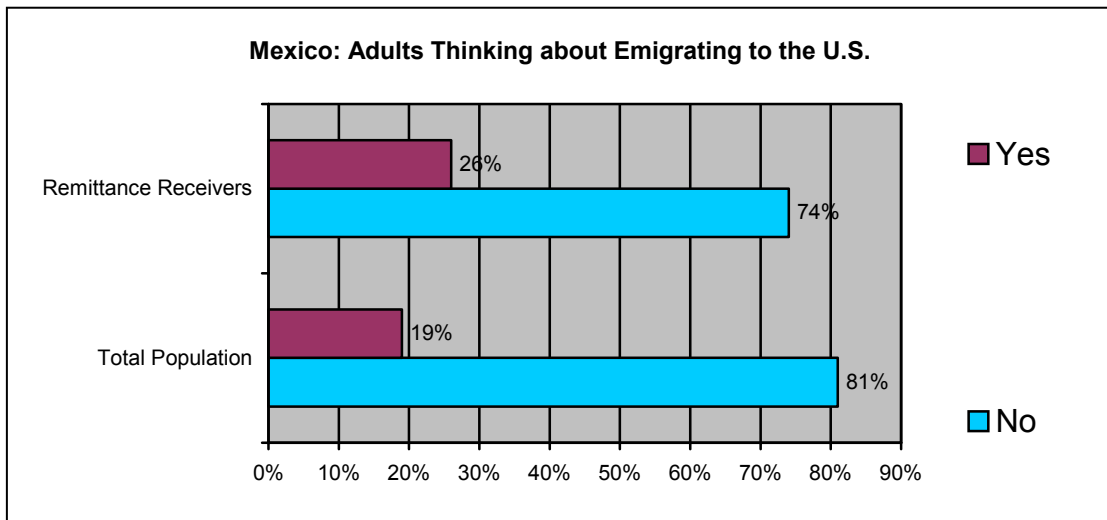
Given the recent increases in remittance transfers, it is logical to explore the role that remittances play in influencing migration. However, a great variety of factors help determine migration flows from Latin America to the United States. Those flows, after all, are the results of many thousands of individual decisions based on many different combinations of circumstances.

The difficulties of isolating one factor to which to attribute migration flows are evident in the findings of the MIF-PHC survey of the Mexican population as regards to the impact of increased security measures in the United States, including more stringent border controls following the September 11, 2001 terrorist attacks. The survey found that the security measures have created a widespread impression that it has become more difficult to enter the country without proper documents. Nearly three-quarters (73 percent) of the Mexican population overall said an illegal crossing had become more difficult. Nonetheless, it is difficult to know how that clear sentiment will affect migration decisions. In response to another question, 45 percent said their fellow

Mexicans were equally disposed to migrate without documents despite the increased security measures and another 9 percent said people are now actually more disposed to enter the United States illegally.

The MIF-PHC studies took several approaches to exploring the link between remittances in migration. In Ecuador, as noted above, a substantial majority of respondents cited the opportunity to send remittances as the chief reason people leave the country. In the Central American surveys, only 16 percent of respondents said sending remittances was the most important reason for migration while a majority (61 percent) cited the desire to improve one's own life. But, even when remittances are not critical to motivations, they can be key to facilitating migration. In Central America, family loans of the sort often repaid with remittance transfers were cited by more respondents (41 percent) than any other source of financing for the actual costs of migration.

In Mexico, a link between remittances and recent migration seemed evident when receivers were asked whether their family member abroad made a commitment to send money before leaving. About half (51 percent) of remittance receivers with a relative away five years or less said they had a prior commitment. In contrast, only about a fifth (22 percent) of those with relatives away more than ten years had such a promise up front. Moreover, the transnational links are clearly stronger in families that engage in remittance transfers than those that do not. For example, remittance receivers are nearly three times more likely to have telephone conversations with their relatives abroad at least once a week than those who are not getting money (31 percent vs. 11 percent).



In the MIF-PHC survey of the Mexican population, 19 percent of all adults, representing some 13.5 million people, answered positively when asked, "Are you thinking about emigrating to the United States?" That average, however, masked some substantial differences. Men, the young, and Mexicans living the areas that have traditionally sent large numbers of migrants north were more likely to say they were thinking about emigrating. Interestingly, there were no significant differences according

to education and income. The most notable characteristic associated with those who responded positively, however, was that they are remittance receivers. Mexicans getting remittances from abroad were much more likely (26 percent) to have migration in mind than those who are not (17 percent). Indeed, the remittance channel not only reflects past migration, but it also seems likely to influence future flows of people northward.

## **METHODOLOGY**

The MIF-PHC studies of remittance receivers were conducted by Bendixen & Associates, a public opinion survey firm based in Coral Gables, FL.

- Ecuador: 3,320 interviews with a nationally representative sample of adults, including a sub-sample of 476 persons who receive remittances. Focus groups with a total of 31 remittance receivers were conducted in Quito, Cuenca and Guayaquil. The fieldwork was conducted in March and April 2003.
- Central America: 3,024 interviews in Honduras, El Salvador and Guatemala constituting a representative sample of the adult populations in those countries, including a sub sample of 685 remittance receivers. Focus groups with a total of 34 remittance receivers were conducted in the three countries. The fieldwork was conducted in June and July 2003.
- Mexico: 3,263 interviews with a nationally representative sample of adults, including a sub-sample of 583 remittance receivers. Focus groups with a total of 30 remittance receivers were conducted in Mexico City, Puebla and San Luis Potosí. Fieldwork was conducted in September and October 2003.

The 2003 National Survey of Latinos was conducted by the Pew Hispanic Center and the Henry J. Kaiser Family Foundation. The survey involved telephone interviews with a nationally representative sample of 3,421 respondents in the United States. A total of 1,508 Latinos and 1,913 Non Latinos were interviewed in this research. Fieldwork was conducted by ICR/International Communications Research of Media, PA from August 7, 2003 to October 15, 2003.

