

Migrant worker remittances: a way out of poverty?

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The problem: migration and social exclusion

Emigration from Latin America and the Caribbean has sped up drastically since 1980. Some factors that have led to the expulsion of the migrant population are the inability to create jobs with decent wages, armed conflicts, devastation caused by natural disasters, the development gap between the Northern and Southern hemispheres, and the huge wage disparities with respect to the United States.

The Economic Commission for Latin America and the Caribbean (ECLAC, 2006) informs that Mexico, the Caribbean Community and Colombia have the largest number of emigrants. Countries with the largest percentage of population abroad include Cuba (8.7%), Dominican Republic (9.3%), El Salvador (14.5%), Mexico (9.4%), Nicaragua (9.6%), and Uruguay (8.3%). Half of the region's international migrants are women, who often travel alone in search of labour opportunities and find jobs in domestic service. The qualified migration of doctors, nurses and teachers jeopardizes the critical mass of knowledge.

The United States continues to be the favourite destination point; in 2004 it concentrated 18 million immigrants from the region, which together with their offspring born there make up the country's first ethnic minority. In 2006 there were 11.5 million people born in Mexico living in the United States. The current economic model in Mexico has largely favoured emigration. Far from dropping, it has grown during the 12 years since the North America Free Trade Agreement (NAFTA) with the United States and Canada came into effect. Today, United States-bound emigration affects all of the Mexican states and covers income strata that were not included before. As Armando Bartra (2005) says:

The poor who saved for the trip or found a smuggler that would wait for his pay are leaving, but so are the wealthy; peasants take to the road, while urban dwellers buy a ticket; Indians get out of here and mestizos migrate; PRI, PRD, PAN and Zapatista followers go shoulder to shoulder; Catholics and Protestants desert at the same time; children say goodbye, like

the young and the old; men and women; illiterates and doctors. The entire homeland demographically bleeds to death at the gringo rate of half a million deserters a year, more than 40,000 a month, one every minute.

Emigration is often final, since it goes beyond a temporary or seasonal situation of labour mobility. In the states of Michoacan and Zacatecas, for example, there are dozens of communities marked by the permanent absence of economically active people. A significant percentage of that population regularly sends remittances to their families in their countries of origin. Remittances have become one of the main sources of foreign financing for the region. Their use, measurement, transfer costs, and productive potential are issues to research. According to a recent ECLAC study, their impact on the poverty situation is hardly significant, although for the homes that receive them they are a strategic source of income.

Impact of migration and remittances on poverty

In this section we will try to explain in what measure remittances are a mechanism for the poor population to finance their way out of poverty. The issue in question is the access of the poor to financing and public resources, and how they contribute to the elimination of poverty.

First of all, remittances are not public resources. They should not be accounted as development aid, since they are wages earned by emigrants. It is their money: they are private resources that governments are not entitled to allotting as they please. Only as long as the migrants themselves label their money in order to invest it in works that benefit the community may the resources be accounted as development funds. In Latin America, remittances more than double the volume of development aid. In Mexico, they are the second source of foreign currency income nation-wide, after hydrocarbons and thus displacing foreign direct investment and tourism revenues.

The "addiction" Mexico has developed for remittances sent by migrants has become indispensable for 21% of households. These money flows went from USD 1,043 million in 1982 to some USD 22 billion in 2006. Although migrants earn 10 times more in the United States, the amount of money that actually reaches Mexico almost equals what they would earn here.

"When a worker is in the United States, 80% or 90% of his earnings will remain there, that is lost. What reaches Mexico is that little surplus the worker can save... without taking into account the

travel costs to the United States... this questions that migration may be a way out for the country's poor families", said Agustín Escobar, from CIESAS.²

Monetary dispatches do not always translate into a higher quality of life for the receiving family. Family remittances seek to support relatives that remain in the country of origin of the expatriate worker. They are to pay for their daily livelihood expenses. According to Dr. Jorge Santibáñez Romellón (2005), Chairman of the Colegio de la Frontera Norte in Tijuana, Baja California, the money transfers of Mexicans living in the United States that come to visit Mexico are used as follows:

Food, rent, clothing and health	69%
Buying, repairing or improving their home	22%
Productive use	5%
Other	4%

In addition, a 2003 study by the Pew Hispanic Centre reveals the following percentage patterns in the use of remittances:

Consumer expenses	78%
Education	7%
Savings	8%
Investment	1%
Other	5%

There may be various ways of classifying the final use given to remittances, but in every case the top priority is for expendables, made up mostly by: food, beverages and tobacco; clothing and shoes; housing, home appliances; health; transportation and communication; education; and entertainment. The "Other" category may include – though not exclusively – investments made by migrants, but it never exceeds 5%.

Even more complicated is estimating how remittances are a mechanism to alleviate poverty. Remittances are constant flows whose purpose is mainly subsistence. They are not aimed at capital formation or at the creation of new riches. It is income meant fundamentally for immediate expenses, and not for the stable or permanent creation of new income. Only a small percentage is used for savings or investments. The continuity in the flow of remittances has become for the Mexican government a matter of national security, which is imperative to "shield" so it becomes permanent, at least in the short term.

1 Economist, member of the NGO Equipo Pueblo, AC, Mexico. This article collects the thoughts of scholars and specialists from civil society on the subject. It does not present original research, rather it summarizes the "state of the art" on migration, remittances, poverty and development in Latin America and the Caribbean, stressing the case of Mexico.

2 Centre for Research and Higher Studies in Social Anthropology, Mexico DF, 21 February 2006.

TABLE 1

Types of remittances, uses and areas of priority interest				
TYPES OF REMITTANCES	REMITTENT	RECEIVER	USES	INTEREST AREAS
Family	Individual migrants	Relatives in hometowns or cities.	Expenses in family's basic needs.	Bank transfer costs (from and to receivers).
	Individual migrants	Relatives, partners or the migrant himself/herself.	Investment in business and small companies.	Individual service, technical assistance, information.
Collective or community	Migrants' clubs	Organizations, leaders or authorities in hometowns.	Social expenses: small scale infrastructure.	Knowing local demands. Harmonize local demands with support programmes or funds.
	Migrants' clubs	Partners and investors.	Productive investment in small & mid-sized companies.	Evaluation of investment conditions. Technical assistance and information.

Source: Rodolfo Tuirán (2006).

Solutions for development

We face the challenge of finding mechanisms to minimize costs and capitalize positive impacts of international migration in the different countries, in terms of remittances, savings, markets and new migrant skills.

“For too long, Mexico has boasted about immigrants leaving, calling them national heroes, instead of describing them as actors in a national tragedy. And it has boasted about the growth in remittances as an indicator of success, when it is really an indicator of failure”, said Jorge Santibáñez, quoted by Ginger Thompson in The New York Times (2006).

Our governments and societies should question themselves about the huge drain that our migrant exodus entails for the country's productive capacity and the gash in the social tissue caused by the forced separation of families that remain divided. Mexico lacks a nationwide strategy that enables economic opportunities to reach the regions where migrants come from, and the efforts to strengthen those communities have not been addressed. In their absence, the alternative use of remittances has been promoted through savings or investment mechanisms, or their channelling toward financing development projects.

Family remittances: roots and banking of migrants

The Inter-American Development Bank's (IDB) Multilateral Investment Fund (MIF) supports development projects through migrant resources in the United States and their integration to the formal financial sector. Donald F. Terry, MIF manager since 2006, recommends that:

- Remittances firms: improve transparency, promote fair competition, apply appropriate technologies, expand financial services;
- Government authorities: do not interfere, improve information, promote basic financial knowledge, avoid migrant abuse;
- Civil society: support the social and financial inclusion of bi-national families in their communities; promote training, attack obstacles for the impact of remittances in development.

Another crucial task is job promotion for minors under 15, who emigrate from their communities searching for opportunities and usually do not return.

Collective remittances: 3 x 1 co-financing programme

An example of community project funding in Mexico is the Iniciativa Ciudadana “3 por 1” (3 x 1 Citizen's Initiative), a co-financing mechanism whereby each dollar contributed by migrant clubs is matched by another dollar from each one of the three levels of government (federal, state and municipal) with that joint goal. Starting to take part in this mechanism are multilateral development banks and even companies involved in the remittances-transfer business, which would turn the fund into 4 x 1 or even 5 x 1.

Community programmes create a sense of belonging and identity between the migrants and their original communities. Collective remittances are sent to basic infrastructure and social benefit works, such as urban development, drinking water, sanitation, community development centres, road pavement, productive projects, education, health and sports infrastructure, and others such as town fairs or religious ceremonies. The aim is for the projects to include training and evaluation; to be profitable and self-sustaining; to be supported by professional, responsible management with transparency in public resources related to remittances; and to form part of a regional development perspective.

In short: remittances are private resources that may alleviate poverty temporarily, but should be understood as a complement to and not a substitute of state policies to encourage production, employment and growth; to combat exclusion, reduce inequity and lead to social and economic cohesion in our countries. And we should not assume that they will continue to grow in the future. “They are financial flows with high financial benefits, but at a very high human cost. There remains a lot to do to offer the necessary incentives and skills that will enable people to invest their money in a way that

better serves them, their families and their futures.” (Terry, 2005).

Finally, in the words of Rodolfo García Zamora (2005), for the efforts and initiatives of migrants and their organizations to have a significant impact in their communities of origin and in the country it is necessary to have a comprehensive and long term State policy, that includes them and makes them a part of development. ■

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