Diaspora engagement: Economic and social remittances

Mainstreaming Migration into Development Planning

Viceministery for Salvadorans Living Abroad
An important and crucial question:

**What is the nature of remittances?**

On the nature of remittances three things have to be considered

I. The conceptual framework and tools for measures
II. Impacts on poverty and economic and social structure
III. Motivating factors
It has generally been treated as a private transfer from the country of destination of migration to the country of origin.
The concept of Remittances as simple transfer of money leave out important constitutives elements

• Remittances are not only transfers of money, goods and services but complex social and emotional relationships between senders and receivers

• Remittances are subjective relations among actors under the appearance of money or goods

• If the remittances are subjective in nature is expected that the use of these is intended for consumption or current expenditure of household, rather than for investment or saving.
In that sense:

• Remittances are a fraction of the wages of migrant labor that acquired a transnational character.

• For that reason, they have the same function of wages: To be used for consumption, to create the conditions of labor force reproduction, with the only characteristic of being created in the country of destination and used in the country of origen.

• The reproduction of labor force takes place within a global labor market, in a context of binational relationships and transnational families.
The above analysis goes beyond the economic field. It involves sociological, anthropological and cultural factors

- The factors of remittances sending pattern are located beyond purely economic concepts.

- Thus, the amount and dynamics of remittances not only respond to the economic performance in the countries of destination but also the complex relationship of multiple factors.

- The analysis needs to go further the push-pull framework and to create a new conceptual model.
The remittances dynamics can be determined by the following conditions:

- The nature and dynamics of labor market in both sending and origen countries
- The level of Human Capital of Migrants (age, education, health)
- Gender
- Social background of transnational families (Different behavior of poor and middle class transnational families)
- The level and nature of linkage between the sender and family and home community
- The family composition of migrants in both home and destination countries
- The level of social and laboral insertion of migrants
• The time of residency of migrants in the country of destination
• The initial objectives of migration
• The needs and demands of family in the home country
• The prioritary of family and home community in migrants’ life
• The social expectation of migrants

• And: Mayor Migratory Flows

It is the complex interplay of these factors that influence the dynamic of remittances flow.
## El Salvador Remittances (2000-2011)

<table>
<thead>
<tr>
<th>Year</th>
<th>Remittances</th>
<th>Rate of Growth (%)</th>
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<tbody>
<tr>
<td>2000</td>
<td>1,750.70</td>
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<tr>
<td>2001</td>
<td>1,910.50</td>
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<td>2002</td>
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<td>2003</td>
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<td>2006</td>
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<td>2007</td>
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<td>2008</td>
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<tr>
<td>2009</td>
<td>3,387.20</td>
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<tr>
<td>2010</td>
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<tr>
<td>2011</td>
<td>3,648.00</td>
<td>7.6</td>
</tr>
</tbody>
</table>
The impacts of remittances on poverty and macroeconomics

- Remittances represent the 16.5% of GDP (2011)

- They represent a fundamental pillar of the economy and macroeconomic stability

- Despite the above the economic performance has been very poor. In the last five years the average GDP growth has been only 2% per year.

- The stability has been the result of substantial input of external resources (Remittances)

- Not the strengthening internal production network

- Domestic demand has been satisfied by way of imports
Impact on demand
Impact on households

- More than 337,000 households are recipients of remittances (27%)
- Remittances represent 60% of total household income
- The average income of recipient families is 30% higher than households without remittances
- Remittances reduce poverty levels by 10%
- Has guaranteed access to basic services, health, education, housing
But......

They are weakening the availability to work to increase the reservation wage.

Communities and households with remittances have weaker productive networks with significant growth of commercial and service sectors.

Remittances addiction has caused depopulation and significant demographic changes, lack of growth of working age population.

It is reaching the population threshold for development.
What to Do

To make migrants development partners in two ways:

As a growth market, every Salvadoran family spends $115 U.S. weekly ethnic products. This represents a market of approximately U.S. $4 billion annually. Linking production of Salvadorsans abroad with local economic development efforts. Growth of remittances on investment (self-interest motivation)
Link migrants productively with the development of territories with the highest expulsion.

Formulation of local public policies that anchor and sustainable return of migrants initiatives.

- Strong institutional coordination
- Strengthening the capacities of key local actors
- Generation of development opportunities

To include Social Remittances: Transfer of values, norms and capabilities.
Migration and development linkages need an integral approach