

**Using Household Surveys to Study  
Remittance Flows in Developing Countries**

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- I. International remittances very important source of resource flows to developing countries
  - A. My interests lie – not only in measuring level of remittances, but in examining their impact on poverty, development in specific countries
  - B. Best way to do this: conduct household –level surveys in developing countries to collect data on number of migrants households produce, amount of remittances that they receive
    - 1. Now part of World Bank team planning to do such household surveys in Morocco, India
    - 2. Also, am currently analyzing results of past household surveys in Guatemala and Ghana
      - Others on team are analyzing results from past household surveys in Mexico, Philippines
      - All of us concerned with evaluating impact of remittances on poverty, economic development
  
- II. Basic idea simple: select a developing cty where international migration, remittances are important – country like Morocco, Guatemala, Mexico
  - A. Then do nationally-representative household survey in that cty
    - 1. Go to households, ask them full set of questions on household characteristics, income, expenditure, employment AND migration and remittances
      - a) LSMS-type survey used by World Bank, but add modules on migration and remittances
  - B. Goal of survey: to collect data that will enable you to examine 4-5 issues that really cannot be analyzed using macro-economic data
  
- III. Like to discuss each of these five (5) issues
  
- IV. First Issue can examine with household surveys – examine impact of remittances on poverty
  - A. This important, because main purpose of World Bank is to reduce poverty in developing countries
    - 1. International remittances can help reduce poverty
  - B. In household survey, can collect data on household income, expenditure
    - 1. Then can draw a poverty line, and will know how many households poor before remittances
    - 2. Also can calculate how many households poor after remitt
    - 3. Then, can see how much remittances help reduce poverty
  - C. In a nutshell, this is methodology used in my work in Guatemala (WB Policy Paper 3418) – based on 2000 Guatemala household survey

1. Found that international remittances reduce level, depth and severity of poverty in Guatemala
- V. Second Issue can examine with household surveys – examine how migrant households spend, invest remittance money
- A. This important for determining contribution of remittances to local-level development
  - B. In household survey, can collect data on how migrant and non-migrant households spend money – on food, education, health, housing
    1. Then can compare marginal spending patterns of households with and without remittances
    2. Figure out if households with remittances spend more at the margin on education, health, new business development
      - Increased spend on education – good for human capital development
      - Increased spend on business – good for local-level commercial development
      - Idea: want to see remittances spent on “productive investment,” not wasted on conspicuous consumption (more food, durables)
  - C. Paper under process on Guatemala
    1. Households receiving remittances spend more at the margin on education and housing than households with no remittances
      - Households with international remittances spend 58 percent more at the margin on education, than households with no remittances
- VI. Third Issue can examine with household surveys – examine impact of 2 kinds of remittances – domestic and international remittances – on poverty and development
- A. This meeting probably given impression that only type of remittance is international remittances
    1. Not true
    2. In most countries, have both internal remittances -- remittances sent by rural households sending members to urban areas – and international remittances
  - B. Internal remittances tend to be more widespread than international remittances
    1. For example, in Guatemala about twice as many households receive internal remittances as opposed to international remittances
    2. But value of international remittances much larger than internal
  - C. In household survey, very easy to ask separate questions about internal AND international remittances

- VII. Fourth Issue can examine with household surveys – examine impact of both official and unofficial international remittances
- A. This meeting mostly focused on official international remitt – remittances than flow back thro official banking channels and are counted in BOP
    1. But in all countries, have large amount of international remittance money that flows back thro unofficial, informal channels
      - like hawala system in South Asia
  - B. No one knows level of unofficial, informal remittances
    1. But some estimate that unofficial remittances may amount to 40 to 50% of official remittances
    2. In other words, if current level of official international remittances is \$120 billion/year – then current level of unofficial international remittances is about \$60 billion/year
  - C. In household survey, don't ask about level of official OR unofficial remitt returning to household
    1. Instead, just get one figure – that includes both types of remittances
    2. Thus, if have nationally-representative sample of households, and have sampling weights to “blow up” results to level of country at large, can get a good estimate of total remittance flows to a country
- VIII. Fifth Issue, and maybe most interesting issue, that can examine with household surveys – analyze question of who migrates?
- A. In household survey, can collect data on age, education, skill level, income earned abroad of migrant
  - B. With these data – can answer key policy questions like:
    1. Who migrates abroad?
      - Educated or uneducated people
      - Skilled or unskilled people
      - Male vs female
      - What is propensity of different kinds of people to remit?
    2. Can answer questions on extent of brain drain from developing countries
      - One of hottest questions, does international migration drain off most skilled people from developing countries??

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