

Remittance Transfer Behaviour of Low-Income Immigrants

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Background

Migration patterns in Pre- & post-apartheid era

Pre-Apartheid

- Restriction on internal movement
- International migration was more circular to the to the mining industry
- Countries of origin were mostly Zambia, Malawi and Mozambique

Post –Apartheid (1994)

- No restriction on internal movement
- Massive rural-urban migration
- More permanent international migration
- Countries of origin now increased – Zimbabwe, Mozambique, DRC, Nigeria, Malawi etc

About 3% of Johannesburg municipality population is international immigrants (Census, 2001).

Increased competition for semi-skilled and unskilled jobs in the cities such as Johannesburg, Cape Town & Durban



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Background

- “It is not that we want to stay here forever. We are here because we just want to get something for ourselves and our families back home.”
- High expectations from homes of origin to send something back.

“A migrant who does not send remittance home is referred to as *umadliwa* or *umgewu*. The term is derived from *ukudliwa*, meaning to be eaten up or devoured. That is the person has been devoured by the pleasures of SA, especially one who spends all his money on women and beer forgetting relatives left behind,” (Maphosa, 2005.) Mangwe District, Zimbabwe.

Objectives

- So with struggle to survive and high expectation from home to remit something, it would be interesting to know the degree to which these low-income immigrants are willing to vary the amount the remit home with every increase in their income, and how this differs across various regions of origin.

Estimating Model

Assume for the moment that all households differ only in the level of their total expenditure. A linear function of the Engel curve

$$C_i = \alpha_i + \beta_i EXP \quad (1)$$

where C_i = expenditure on good i , EXP = total expenditure and α = constant would then be too restrictive to all their marginal expenditure vary. (i = Remittances, Food & Housing)

Hence a nonlinear function is required for the analysis. A modified version of the Working-Leser Model is used because it linearly relates budget share to the logarithm of total expenditure and also meets the criterion of additivity. The basic form of working-Leser Model is

$$C_i / EXP = \beta_i + \alpha_i / EXP + \gamma_i (\log EXP) \quad (2)$$

Where C_i/EXP is the share of expenditure on good i of total expenditure (EXP).

Equation (1) is equivalent to the Engel function:

$$C_i = \alpha_i + \beta_i EXP + \gamma_i (EXP) (\log EXP) \quad (3)$$

If we allow the budget share to vary with household characteristics (Z_j) the complete model becomes

$$C_i = \alpha_i + \beta_i EXP + \gamma_i (EXP) (\log EXP) + \sum_j [(\mu_{ij})(Z_j) + \lambda_{ij}(EXP)(Z_j)] \quad (4)$$

Estimating Model cont'd

In semi-log ratio form, this is equivalent to:

$$C_i / EXP = \beta_i + \alpha_i / EXP + \gamma_i (\log EXP) + \sum_j [(\mu_{ij})Z_j / EXP + \lambda_{ij}(Z_j)] \quad (5)$$

Where μ_{ij} and λ_{ij} are constants

From equation (3) the marginal and average budget shares for the i th good (the MBS_i and ABS_i , respectively) and the expenditure elasticity (ϵ) can be derived as follows:

- $MBS_i = dC_i / dEXP = \beta_i + \gamma_i (\log EXP) + \sum_j [(\gamma_{ij})(Z_j)] \quad (6)$

- $ABS_i = C_i / EXP_i \quad (7)$

- $\epsilon = MBS_i / ABS_i \quad (8)$

- STATA statistical package was used

DATA

- The dataset is from Migration and the New African City project carried out by Forced Migration Program of the University of the Witwatersrand in 2006. Sample size =847 individuals and households
- The survey covers Johannesburg municipality- Yeoville, Berea, etc
- It has information on various socioeconomic and demographic characteristics of mainly international immigrants in Johannesburg

Limited in the sampling strategy. The concentration of interviews in selected suburbs led to over-sampling of some nationals than others.



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Some Basic Characteristics of Low-income Immigrants in Johannesburg

	Category	No.	Percent			Category	No.	Percent	
Gender of hh wage earner	Male	545	58		Expenditure group	9000-20000	324	78	
	Female	389	42			20001-35000	58	14	
Education	No sch	85	9.1	>35000		35	8		
	Primary	407	45	Occupation	Unemployed	59	8.6		
	Secondary	345	36.8		Agriculture	17	2.5		
	Tertiary	100	10.7		Construction	61	8.9		
Household Size	1	84	9		Security	17	2.5		
	2-3	177	19		Professional (mainly teachers)	32	4.7		
	4-6	360	39		Domestic worker/ Catering	45	6.6		
	7-9	204	22		Driver	11	1.6		
	10 +	105	11		Hawker	96	14		
	Age Group	18-34	500	58	Petty trading (fixed)	218	31.8		
35-44		219	25.4	Own business	109	15.9			
45-54		88	10.2	Student	21	3			
55 +		55	6.4	Total	686	100			
Region of Origin		Congo	401	59					
	E. Africa	154	23						

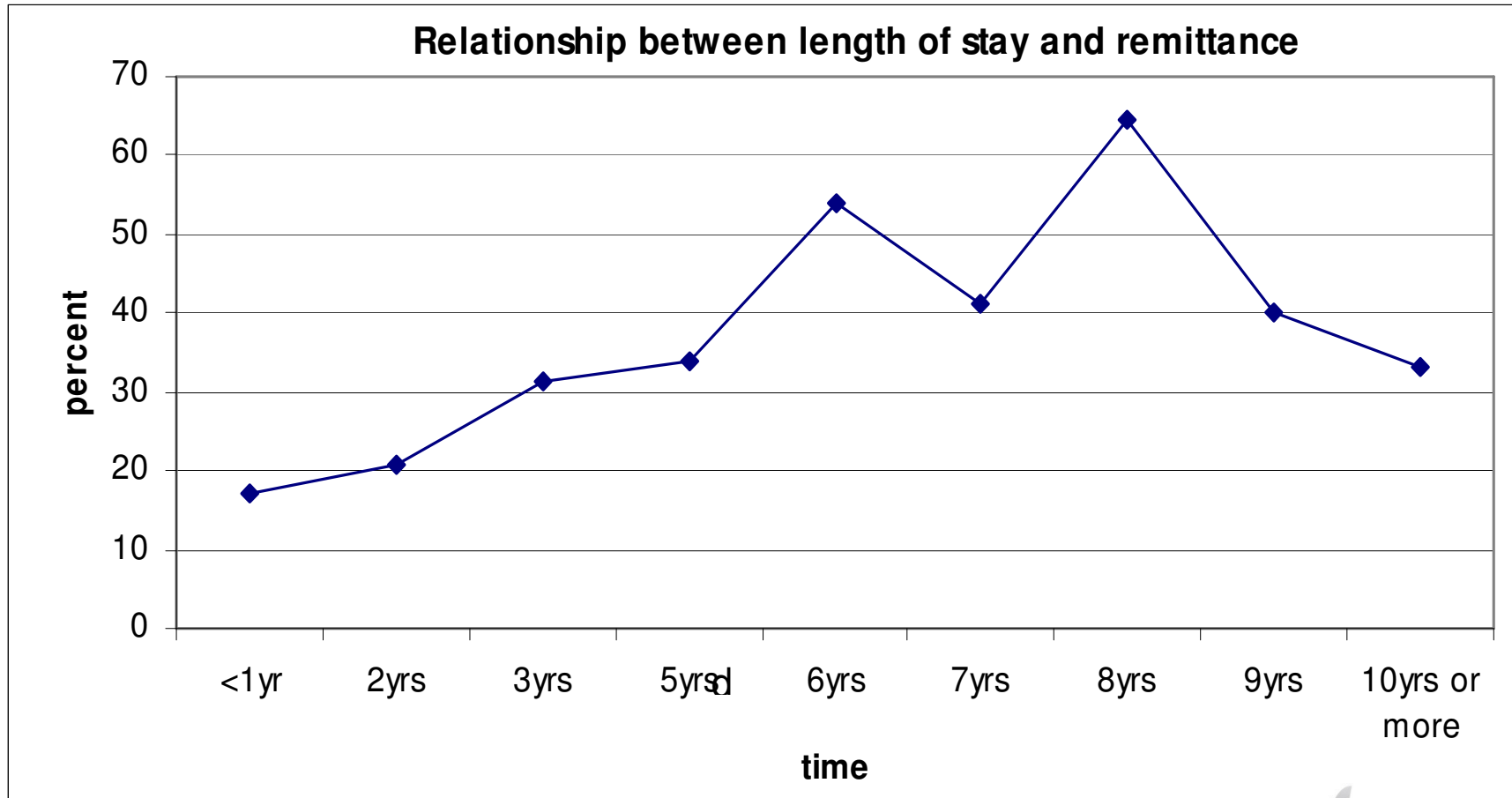


Basic Remittance Behaviour

	Category	TOTAL	% who remit		Category	TOTAL	% who remit		
Gender of hh wage earnerr	Male	541	38		Expenditure group	9000-2000	322	31	
	Female	385	27			20001-35000	20	35	
Education	No sch	83	33			>35000	18	51	
	Primary	403	32		Length of Stay	1-4 yrs	186	23	
	Secondary	343	35			5-9 yrs	380	40	
	Tertiary	100	38			10+ yrs	304	35	
Household Size	1	83	34		Region of origin	Congo	401	29	
	2-3	175	31			East Africa	154	28	
	4-6	356	40			Southern Africa	130	30	
	7-9	204	27		Transmission mode	Informal	242	81	
	10 +	105	30	Formal		19			
Age Group	18-34	496	31						
	35-44	218	43						
	45-54	88	42						
	55 +	53	25						



Remittance and length of stay



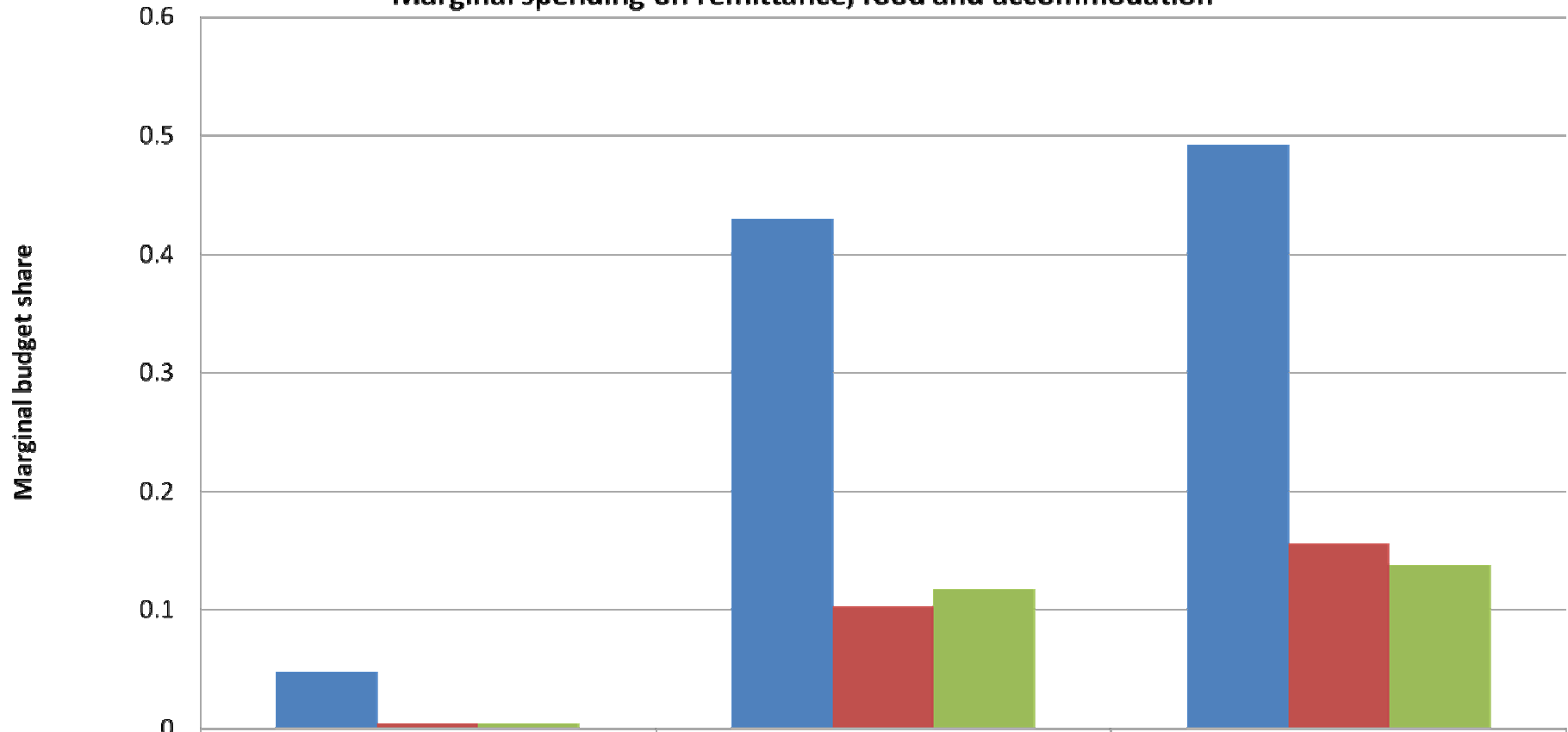
Results: Marginal Budget shares of remittance

		Mean of total annual per capita household expenditure	Mean of per capita hh expenditure on remittance	Marginal Budget share to remittance	Expenditure elasticity	
Income group	9000-20000	2004	112	0.047	0.042	
	20001-35000	6812	131	0.004	0.003	
	35000+	12543	191	0.004	0.002	
Region of origin	Congo	1125	110	0.029	0.026	
	East Africa	2804	133	0.008	0.006	
	Southern Africa	1215	122	0.009	0.007	

Results: Marginal Budget shares of food and accommodation

		Mean of total annual per capita household expenditure	Mean of per capita hh expenditure on remittance	Marginal Budget share to remittance	Expenditure elasticity
Food	9000-20000	2004	1015	0.467	0.046
	20001-35000	6812	3393	0.102	0.003
	35000+	12543	5855	0.117	0.002
Accommodation	9000-20000	2004	1024	0.492	0.048
	20001-35000	6812	3879	0.155	0.004
	35000+	12543	6876	0.138	0.002

Marginal spending on remittance, food and accommodation

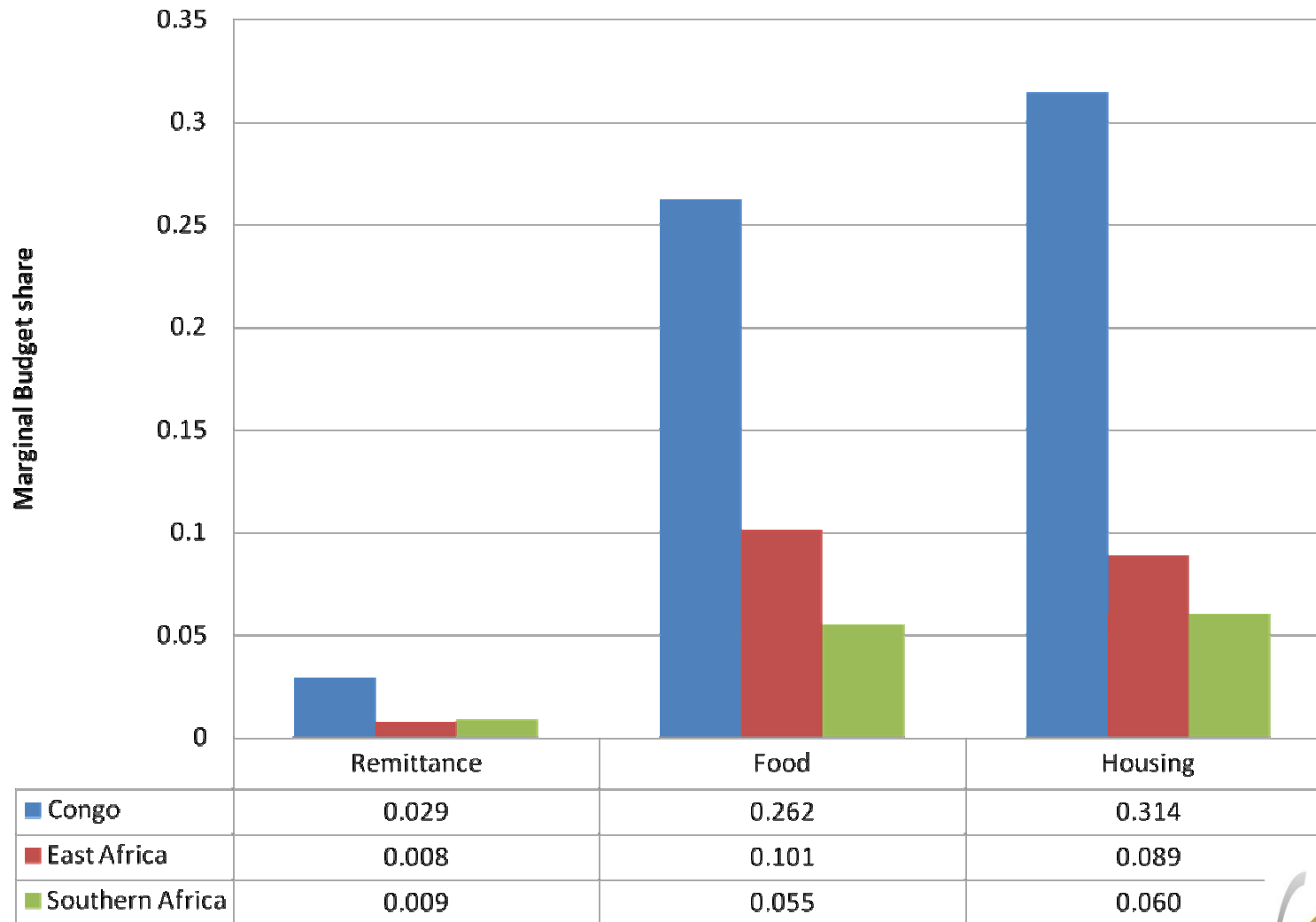


	Remittance	Food	Housing
■ 9000-20000	0.047	0.430	0.492
■ 20001-35000	0.004	0.102	0.155
■ >35000	0.004	0.117	0.138

Marginal Budget shares of food and accommodation by region of origin

		Mean of total annual per capita household expenditure	Mean of per capita household expenditure on food	Marginal budget share	Expenditure elasticity
Food	Congo	1125	535	0.262	0.049
	East Africa	2804	1435	0.101	0.007
	Southern Africa	1215	789	0.055	0.007
Accommodations	Congo	1125	655	0.314	0.048
	East Africa	2804	1488	0.089	0.006
	Southern Africa	1215	864	0.060	0.007

Marginal spending by region of origin



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Conclusions

- Over 80% of marginal income of poor immigrants goes into food and accommodation expenditure and yet they are more likely to remit.
- All the immigrants in various categories have responses that tell that a percentage increase in their income does not necessarily result in an equal percentage increase in the amount they remit home. However, this response is a bit more relaxed for the poorest immigrants than the rest. Thus the very poor immigrants are more willing to remit and spend greater percentage of their income on remittances than the rest of the income groups.
- There are virtually no differences in response to income changes as regards the regions of origin of immigrants.

Thank You