

Will Migrant Remittances Continue Through Time? A New Answer to an Old Question

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This paper analyses the influence of continued migration and network participation on migrant household remittance behaviour. The “remittance decay” hypothesis suggests that the amount of remittances sent by migrants to their countries of origin declines through time. However, empirical studies have found that the passage of time does not significantly influence migrant remittance behaviour and that remittances are maintained at high levels over long periods. If remittances do not decline, as suggested by remittance theory, why do they continue through time, as suggested by empirical research? This paper uses network theory and the concepts of social capital and social ties to build an analytical framework to answer this question. Remittances are not simply sent but exchanged for resources accessible through the maintenance of relationships with other network members. Instead of asking what motivates migrants to remit, this paper focuses on those factors that influence the continued existence of migrant/non-migrant relationships in which remittances are exchanged. Family reunification is the underlying social process that determines household remittance behaviour. Increasing, continuing, or declining remittance levels simply reflect the process of household reconstitution abroad. Thus, as families reunite in the new homeland, less money is sent back to the country of origin. In addition, participation by households in migrant networks positively influences remittance behaviour.

Since the 1970s, remittances from migrants to Australia, New Zealand and the United States have played a growing and important role in the economies of Pacific Island countries. Migrant remittances provide capital-poor countries with foreign exchange, ease balance of payments problems, encourage industrial development by facilitating the import of capital goods and raw materials, and contribute to employment (Russell 1986; Menjivar et al. 1998). In many Pacific Island countries, including Tonga, Western Samoa and the Cook Islands, remittances represent an important component of total national incomes. For example, in the early 1980s, remittances contributed between 35 per cent and 40 per cent of the total Cook Islands’ income (Connell 1980). Similarly in 1989, remittances represented approximately 60 per cent of the Tongan and 35 per cent

of the Western Samoan gross domestic product (Appleyard and Stahl 1995). Remittances can also benefit individual recipients by raising and maintaining living standards and reducing the gap between higher-income and lower-income groups (Menjivar et al. 1998; Russell 1986). There is also evidence from many Pacific Island countries that remittances form a significant part of disposable household income (Connell 1980; Appleyard and Stahl 1995). A national income and expenditure survey in Tonga, for example, showed that 90 per cent of the households received remittances and that remittances constituted an average of 28 per cent of household income (Ahlburg and Brown 1998).

Because of the importance of remittances to Pacific Island economies – and to economies of migrant-sending countries around the world – policy-makers are concerned with the long-term sustainability of these flows. Migrant remittance theory, however, predicts that the level of remittances sent by migrants will decline through time. Traditionally, researchers have relied on the “remittance decay” hypothesis as modelled by Stark (1978) to analyse remittance behaviour. Stark suggests that individual remittances will peak soon after arrival and then decline, increasing occasionally in response to specific events or needs by relatives in the home country. Initially, remittances are low but increase with time as migrants adjust to their new environment and are relieved of the initial costs associated with moving. Eventually, remittances will cease, increasing again only if the migrant decides to return home permanently. The concept of altruism is central to Stark’s theory of remittance decay. In the remittance literature, altruism is generally defined as the concern migrants have for their non-migrant family members in their countries of origin. Stark attributes the decline in remittance behaviour through time to the waning of altruism. As the migrants’ commitment and attachment to their families and home areas weaken through time, remittances decline.

Although research on remittance decay is limited, much of it fails to support Stark’s (1978) hypothesis. This is especially true when considering research on remittances in the Pacific. For example, research on the remittance behaviour of Tongans and Cook Islanders in Australia and New Zealand found that the amount of money sent by recent migrants was similar to that remitted by migrants who had arrived fifteen to twenty years earlier (Loomis 1990; Tongamoa 1987; Vete 1995). Also, research on the remittance behaviour of Fijians in Australia suggests that length of residency abroad does not substantially affect remittance flows (Stanwix and Connell 1995). While the results of these studies are troubled by small sample sizes and rudimentary statistical techniques, a study by Brown (1998) using an advanced statistical method (Tobit regression) and controls for a number of “supply” and “demand” side variables leads to much the same conclusion. Brown found that the passage of time did not have a significant effect on the remittance behaviour of Tongans and Western Samoans in Australia.

1. Remittance Decay – or Duration?

The lack of support exhibited by the results of empirical research for remittance theory raises an interesting question: If remittances do not decline, as suggested by the remittance decay hypothesis, why do they continue through time, as suggested by the results of research on Pacific Island migrant populations? And if it is true that altruism, as a motive for remitting, wanes through time, what causes the commitment to remit to be sustained?

In this paper, I use migrant network theory and the concepts of social capital and the strength of social ties to develop an alternative sociological framework to help to answer these questions (Grieco 2003). This approach suggests alternative explanations of what remittances are, why they occur, and why they decay – or endure – through time. Remittances in this analysis are not defined as the by-product of the altruism migrants feel for their family. Rather, they are the resources *exchanged* between members of a migrant social network. Remittances occur as the result of migrants' participation in these networks and represent the migrants' effort to build and maintain social capital. Social capital refers to the ability of individuals to obtain resources through their continued relationships with other network members (Portes 1995, 1998). Within these networks, both migrants and non-migrants act as donors and recipients of social capital, making their resources available to network members while simultaneously accessing the resources of others. Remittances are not simply "sent" by the migrant to family members back home but are exchanged for resources accessible through the maintenance of relationships with other members of a given social network.

In the remittance literature, it is generally assumed that migrants are directly motivated to remit by, for example, their feelings of altruism for family members or their own self-interest. However, viewing remittances as part of a migrant's effort to build and maintain social capital makes the link between the occurrence of remittances and the motivation to remit less direct. Remittances occur because the migrant has established and is maintaining a relationship with another member of a social network. In other words, relationships come first and the motivation to remit comes after, not the other way around. Without relationships, there would be no remittances. When viewing remittance behaviour through the lens of social capital and migrant network theory, the influence of time becomes less direct. Instead of asking what motivates the migrant to remit, the question becomes: What enables migrants to maintain the relationships in which remittances are exchanged?

2. Strong Kin Ties, Family Reunification Migration, and Remittance Decay

Recognising the social basis on which remittance behaviour is based is fundamental to understanding why remittances endure or decay through time.

According to remittance research, the majority of the migrant/non-migrant relationships in which remittances are exchanged are immediate kin ties, including spouses, children, parents and siblings. Because strong kin ties form the basis of remittance behaviour, remittances will continue as long as those relationships are maintained through time. Remittance decay reflects the gradual change and ending of those ties maintained by household members with immediate kin in the country of origin.

The migration process, specifically family reunification migration, is the underlying social process that determines the remittance behaviour of migrant households. Research shows a negative association between the point in time the household received its last migrant member and the probability of remitting (Grieco 2003). This suggests that households in the middle of the family reunification process are the most active remitters. The results also indicate that households with a history of family reunification are more likely to remit. Thus family reunification appears to have a positive influence on remittance behaviour. Combined with the results of qualitative research on the remittance behaviour of Pacific Island migrants, these results suggest a possible reason why remittances rise and decay through time. Remittance levels increase as the migrant household works to support dependent family members in the country of origin and to assist in their eventual emigration. As the process of family reunification is gradually completed, fewer and fewer immediate kin remain abroad and remittance levels begin to decline. When the last migrant joins the household and all the dependent family members have joined the earliest migrant, the flow of remittances sent back home ends. Thus, the time path for remittance behaviour is largely driven by the process of family reunification.

3. Migrant Network Theory and Remittance Duration

The influence of the migration process not only explains why remittances decline, but why they continue through time. Households will continue remitting as long as their migrant members have dependent relatives in other countries. Migrant network theory suggests a second way in which remittance behaviour is maintained through time. The active and continued participation by household members in migrant networks helps to promote remittance behaviour by maintaining the relationships between migrants and non-migrants. Migrant networks are sets of interpersonal ties that connect migrants, former migrants and non-migrants in origin and destination countries through ties of kinship, friendship and shared national origins. Networks reduce the costs and disruptions of migration, maintain links between sending and receiving communities, serve as channels for information and resources, and influence the rate of adaptation and assimilation to the destination society (Massey et al. 1987).

Migrant networks serve many important functions for their migrant members. However, when considering the influence that migrant network participation has on

household remittance behaviour, the most important of these functions is the influence that migrant networks have on the rate of adaptation and assimilation of their members to the destination society. Migrant networks can actually retard integration by maximising links with and orientation towards the society of origin. This, in turn, should help to maintain the relationships between migrants and non-migrants. This occurs in at least three ways. First, while migrant networks provide short-term adaptive assistance to recent migrants that can facilitate integration, such as finding housing, arranging employment and providing emotional support, they can also insulate migrants from the destination society. Migrant networks strengthen the links migrants have to their sending society while effectively limiting contacts with the broader destination community (Gurak and Caces 1992). Heavy reliance on migrant networks for support means that ties with other co-ethnics dominate the immediate social networks of new migrants. This simultaneously maximises the number and strength of ties with members of the origin society while minimising the number and need for ties with members of the receiving society.

Second, kin groups tend to be the dominant social organisations present in migrant networks and often represent the link between non-migrants in the country of origin and migrants in the country of destination that encourages continued migration through time (Boyd 1989; Gurak and Caces 1992; Massey et al. 1993). By guaranteeing that the social network of new migrants will be dominated by ties with relatives, migration under the auspices of kinship promotes the continuing intense involvement in kin groups (Tilly and Brown 1967; Gurak and Caces 1992). This reinforces the strength of ties to members of the origin society and slows the establishment of ties with members of the destination society, retarding integration and assimilation.

Finally, migrant networks can encourage the interdependence of network members in the country of destination that can lead, through time, to the establishment of migrant communities and the re-establishment of behavioural norms based on the culture of the community of origin (Grieco 1998). The participation in the wider migrant community provides migrants with culturally acceptable venues where additional ties to co-ethnics outside their immediate kin networks can be established and maintained. Also, participation in activities sponsored by the migrant community, such as ethnic organisations, sports associations, festivals and ceremonies, not only provide venues for networking but also create "lacunae" in the wider host society where the migrants' cultural and behavioural norms can be both celebrated and reaffirmed. This helps to strengthen and maintain the migrants' orientation to their origin society.

In these three ways, the continued participation by migrants in migrant networks maintains the bonds between migrants and non-migrants and encourages a continued orientation to the culture and society of origin. This reduces the migrants' rate of adaptation and assimilation to the destination society and, in turn, helps to maintain remittance levels through time. Because the relationships

between migrants and non-migrants form the social basis of remittance behaviour, the fact that the continued participation in migrant network encourages migrants to renew and maintain their relationships with non-migrants suggests that it will also help to maintain remittance levels through time. The cultural orientation engendered by migrant network participation should also have a positive influence on remittance behaviour. Because migrant networks link migrants to their origin cultures, the same social sanctions that discourage reneging on commitments back home will have been transplanted into the migrant communities abroad. This cultural “pressure” will be reinforced by the interpersonal relationships established with other co-ethnics, which will act as constant reminders to the migrants of their cultural obligations and duties to their families back home. This will encourage migrants who are active network members to maintain their relationships abroad and continue remitting.

4. The Sociological Approach to Remittance Behaviour

A sociological approach to remittance behaviour, as outlined here, focuses on the relationships that exist between migrants and non-migrants. These relationships are of paramount importance because they form the social basis of remittance behaviour. Their continued existence helps to explain what remittances are, why migrants remit, and why remittance behaviour continues through time. Remittances are the resources exchanged between the migrant and non-migrant members of migrant social networks. They occur as the result of migrants’ participation in those networks and represent their efforts to build and maintain social capital. Remittances are not simply “sent” by migrants to non-migrants. Rather, they are exchanged for resources accessible through the maintenance of relationships with other network members. Migrants will continue to remit as long as the relationships in which remittances are exchanged are maintained. By focusing on the relationships between migrants and non-migrants, the sociological approach also helps to explain why remittances decline through time. Remittance behaviour declines and eventually ends largely because the relationships between migrants and non-migrants have substantially altered or have ceased to exist. For example, the economic independence of non-migrants in the country of origin, such as the marriage of a daughter or sister, would alter the migrant/non-migrant relationship and would end the need for remittances from migrants. Also, the migration of non-migrants to join migrants abroad would end the remittance relationship and remittance behaviour. The death of non-migrants would also end this relationship.

By explaining why remittances continue through time as well as why they end, the sociological approach helps to explain remittance behaviour in general and not just a single aspect, such as remittance decay. However, because of the importance of remittances to many labour-exporting countries, it is understandable why researchers and policy-makers have been most concerned with remittance decay, especially determining those factors that positively influence aggregate remittance levels through time. This concern with aggregate remittance levels has had two

unfortunate side effects for remittance research. First, it has encouraged researchers to focus on remittances as a resource (i.e. simply as money or goods) rather than the product of the migrant/non-migrant relationship. By focusing on the outcome of remittance behaviour, researchers have placed greater emphasis on determining those factors that influence the remittance event (i.e. the exchange of remittances) rather than the social context in which the event occurs. In other words, they are trying to determine factors that influence the “effect” without first considering the “cause” of the outcome.

Second, the emphasis on explaining aggregate remittance levels has placed little pressure on researchers to clarify the causes of remittance behaviour. Stark’s view of altruism (1978; see also Lucas and Stark 1985; Stark and Lucas 1988), i.e. the concern migrants have for the well-being of their non-migrant family members, seems to be generally accepted by researchers as the root cause of remittance behaviour. Stark’s work is almost universally cited and few alternatives to the theory of altruism and remittance decay have been proposed. According to Stark, as the altruism migrants have for their kin back home weakens, both the incidence and amount of remittances will decline through time. However, Stark never clarifies why this is so. Because of the importance of aggregate remittances to many labour-exporting economies, this lack of theoretical development is understandable. The theoretical cause of remittance behaviour is far less important than ascertaining the determinants of that behaviour which, if encouraged or facilitated, could help to maintain high remittance levels through time.

By placing emphasis on remittances as a resource and failing to clarify the causal process, it is unsurprising that the research literature has generated conflicting results regarding the association between time and remittance behaviour. In comparison, the sociological approach focuses on the migrant/non-migrant relationship in which remittances are exchanged. It is the existence of these relationships that helps to explain why remittances exist, why they continue through time, and why they end. In this sense, the sociological approach “backs up the causal chain” and incorporates the cause (i.e. migrant/non-migrant relationship), the event (i.e. exchange of remittances) and the effect (i.e. amount and frequency) of remittance behaviour into a single framework.

5. Implications for Aggregate Remittance Flows

If family reunification and the establishment of migrant households abroad leads to a diminishing and eventual end of remittances sent back to the country of origin, what are some of the implications of this process for *aggregate* remittance flows through time? There are three factors to consider. First, high levels of remittances are not inevitable with every migration flow established because both the level and continuity of remittances are strongly influenced by the characteristics of those flows. If a migrant population is established through the process of family migration, for example, where entire family units migrate, it is probable that this

population will exhibit low aggregate remittance levels and a short period of remittance activity. Fiji Indian migration tends to be dominated by family units, which may help to explain their reported low remittance rates (Raj 1991). In comparison, if a migrant population is established through family reunification or “chain” migration, where one or a few family members migrate and are followed by others at a later date, it is likely that this population will exhibit higher aggregate remittance levels and a longer period of remittance activity. This may help to explain why the remittance levels of Cook Island, Samoan and Tongan migrants in Australia and New Zealand – populations that have been established through chain migration – have been found to remain high over an extended period of time (Curson 1979; James 1991; Loomis 1990; MacPherson 1994; Vete 1995). Migrant populations favouring temporary or “circular” migration, where one or a few family members move for short periods back and forth between their home and destination countries, would probably also exhibit higher aggregate remittance levels and longer periods of remittance activity, as seen among the Mexican immigrants to the United States.

Second, there is no guarantee that aggregate remittance flows will remain stable and continue over the long term. Remittances will remain high as long as migrants continue to establish household extensions in the country of destination. This means that the stability and continuity of aggregate remittance flows is linked to two interrelated processes: (a) the constant inflow of migrants from sending countries into receiving countries, which would provide a steady flow of newly established households; and (b) the dominance of “chain” migration, where migrant and non-migrant family members are separated for the time it takes migrant households to reconstitute in another country. These processes can be influenced by policies enacted by both the sending and receiving countries to the detriment – or benefit – of long-term aggregate remittance flows. Aggregate remittances could be significantly altered, for example, if the receiving country enacted policies that curtailed the number of new immigrant arrivals or expelled resident immigrants. Conversely, by encouraging family reunification migration, governments may inadvertently support the continuity of remittance flows. This was clearly seen among the Cook Island, Samoan and Tongan migrant populations in Australia and New Zealand. Initially established through chain and household reconstitution migration, this process was galvanised by the pro-immigrant and family reunification policies of the New Zealand and Australian governments in the 1990s. Combined, these policies buoyed the remittance behaviour of these communities through time. However, migrants are not without agency, and their behaviour, characteristics and goals – on a collective scale – also have an effect. For example, migrants may choose to enter a country illegally, thereby maintaining a constant inflow in spite of strict immigration laws. Poor migrant households with minimal resources may be forced to remain separated, thus slowing the pace of family reunification and maintaining the need for remittances through time. For some households, the ultimate goal may not be permanent settlement but circular migration, which would probably increase the stability and continuity of aggregate remittances through time.

Finally, given the social basis on which remittance behaviour is based – that is, strong kin ties – it is highly unlikely that this behaviour will be continued by the children or grandchildren of immigrants. The reason is simple: immediate kin, including parents, spouses, children and siblings, are the most likely of all social ties to exchange financial resources, such as remittances. The second- and third-generation (and even many of the “1.5 generation” who immigrated as children) would have most or all of their strong ties in the country of destination. It is not likely that the children of immigrants would be willing to directly support distant, often unknown relatives in an ancestral origin country whose weak social ties lack a financial exchange component.

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