

# **An analysis of recent survey data on the remittances of Pacific island migrants in Australia**

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Paper presented at '*Making Pacific Migration Work: Australian and New Zealand Experiences*' A Development Policy Centre Conference, Australian National University,  
3 April 2012

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# Importance of remittances

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- Remittances an important factor in
    - promoting economic development
    - providing informal, family-based social protection
    - alleviating poverty, promoting saving, investment and human capital formation
  - Especially important in Pacific island nations with extensive migration since 1950s
    - remittances relative to GDP among highest in the world
    - Present study complements our previous surveys in Australia (early 1990s) and PICs (1990s and 2006)
  - Regional/rural focus important for policy debate in relation to Pacific Seasonal Worker Pilot Scheme (PSWPS)
    - World Bank study (Brown *et al.* 2006) played an important part in justifying PSWPS but no separate information on rural migrants
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# Polynesian migration to Australia

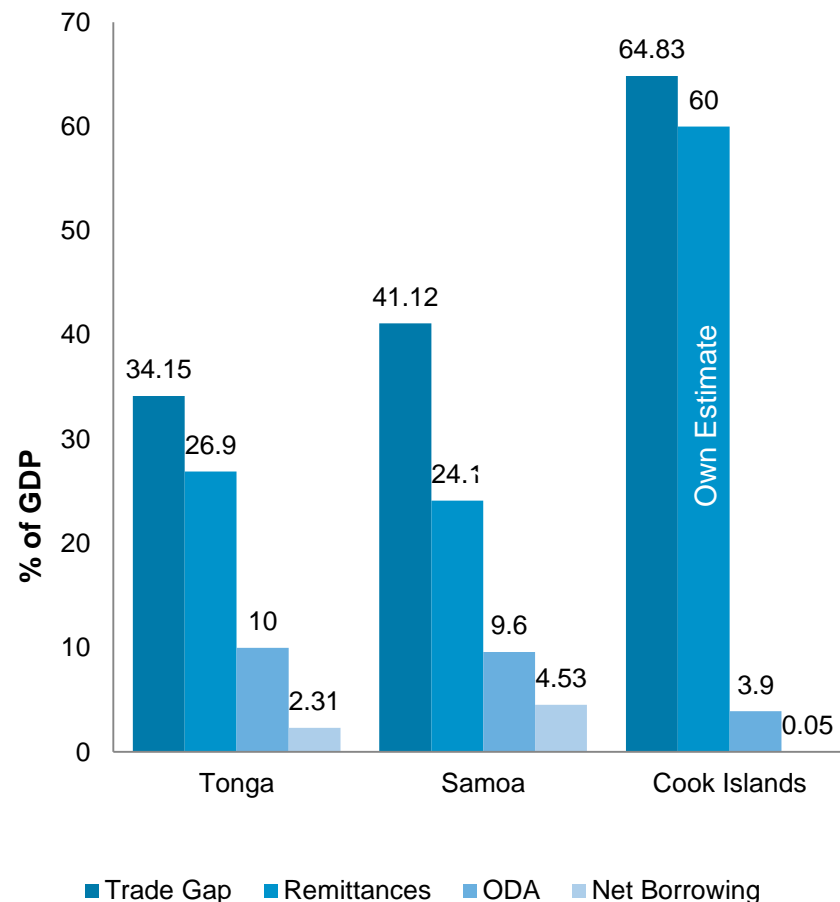
## Country Background Demographic and Economic Data

	Tonga	Samoa	Cook Islands
Population (thous. 2010)	103.7	184	17.8
Ethnic Abroad (thous. 2006)	125	300	70
Migrants (thous. 2006)	100	220	30
GDP/Capita (US\$ thous. 2009)	3.32	3.14	9.14
Imports/GDP (2007-10)	36.99	43.23	66.61
Exports/GDP (2007-10)	2.84	2.11	1.78
ODA/GDP (2007-09)	10.00	9.60	3.90
Net Borrowing/GDP (2007-09)	2.31	4.53	0.05
Remittances/GDP (2007-09)	26.90	24.10	n.a.+

Sources: Asian Development Bank (2011a, 2011b, 2011c)

+There are no estimates of remittances to Cooks Islands.

## Trade Gap by Source of External Income (2007-2009)



- Study migration and characteristics of Pacific islanders in urban and regional Australia (*ARC Discovery Grant, 2010-2012*)
  - Quantify and compare incidence and magnitudes of remittance flows
    - in all forms (cash, in-kind, payments to third-parties)
    - through all channels (formal, informal)
    - to all recipients in home country (HC) (own household, other households, charitable institutions (churches), own asset accumulation)
  - Main purpose of this paper is
    - To identify factors and migrant characteristics associated with differences in remittance behaviours for
      - different categories of remittance recipient in HC,
      - the country of origin of the migrant, and
      - where the migrant lives in Australia (Sydney, Riverina).
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## Sample Distribution in Urban and Regional areas

Country of origin	Riverina	Sydney	Total
Tonga	60	173	233
Samoa	73	271	344
Cook Islands	61	186	247
Other	7	6	13
Total	201	636	837
Study sample	194	630	824

- First study of
  - Cook Islanders in Australia
  - Comparisons of remittances from urban and regional areas
- Survey conducted over 6 months in 2010/11
  - Sample represents 5% of Tongan & Samoans; 12% of Cook Islanders
  - 92% of interviews conducted face to face
  - Respondents recruited via different methods
- Information about individual household (HH) members
  - 824 HHs with 5,289 individual HH members
  - 20% children, 80% adults
  - 41.6% of adults employed

# Occupation of Employed Migrants

Occupational category	N	%	Skill category	%
Managers	57	3.23	Skilled	15.03
Professionals	107	6.07		
Technicians & Trade	101	5.73		
Community & Personal service	296	16.79	Semi-skilled	46.69
Clerical & Administration	141	8.00		
Sales Workers	111	6.30		
Machine operators	275	15.60		
Labourers	675	38.29	Unskilled	38.29
Total Employed	1763	100.00		

- Occupation categories
  - identified based on ANZSCO tables
  - further grouped based on skill level of occupation
- 85% of employed semi-skilled or unskilled
- less than 10% in managers and professionals categories

# Migrant Household (HH) Characteristics *(Mean values)*

Variables	Riverina	Sydney
Total N=824	N=194	N=630
Household Characteristics		
Total HH income ('000)	80.16	99.54
Income earners in HH (no.)	2.34	2.34
Income per earner ('000\$)	34.84	42.76
Household size (no.)	3.95	4.47
Per capita income ('000\$)	22.91	25.54
HH Head Characteristics		
Gender Male (%)	84.02	80.83
Age (yrs)	42.08	45.45
Married/de facto (%)	77.32	77.30
Education (yrs)	10.41	10.97
Employed (%)	88.66	84.44
Urban Origin (%)	59.28	77.94

- Urban HHs
  - earn more than regional HHs for all countries except Cook Islands
  - are larger than regional HHs for all countries except Cook Islands
- Urban HH heads
  - have lower employment rate than regional HH heads
  - number of years of education similar to regional HH heads
  - more female HH heads than in regional areas
  - have older HH heads than in regional areas

# Migration History of Migrant HHs

Variables	Riverina	Sydney
N=824	N=194	N=630
Household Head Characteristics		
Total years abroad	21.58	23.81
Years in Australia	15.40	18.42
Step-Migrant (%)	57.73	56.35
Step-Migrant via NZ (%)	53.61	53.02
Household Characteristics		
Other migrants (%)	89.18	96.67
Other migrants in Australia (%)	77.84	89.21
Other migrants in other countries (%)*	11.34	7.46
Other migrants in USA / UK (%) <sup>+</sup>	5.15	9.84
Members in Origin Country (%)	96.91	86.19
Parent in Origin Country (%)	55.15	29.05
Visitor from Origin Country (%)	38.66	38.10
Intent to return (%)	11.34	20.48

- HH head in urban areas have
  - lived abroad longer than regional HH heads for all countries
  - lived longer in Australia than regional HH heads for all countries
  - lower step-migration rates than regional HH heads for all countries except Samoa
- Urban HHs
  - more have other migrants (OM) living in Australia than regional HHs
  - less have other migrants living exclusively in countries other than Australia than regional HHs
  - less have a parent or parent-in-law living in HC than regional HHs
  - more expressed an intent to return than regional HHs

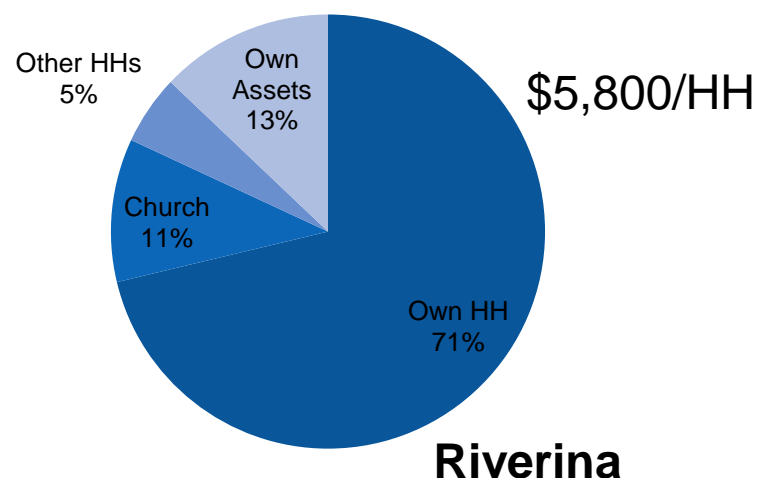
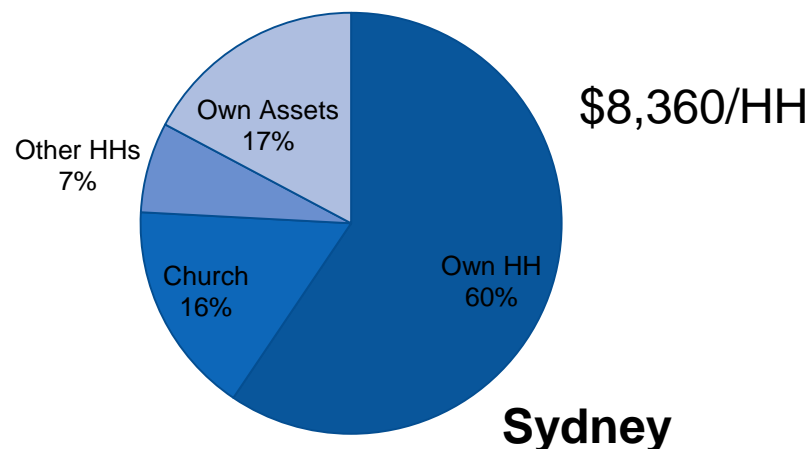
# Incidence of multiple recipients of a HHs remittances

Recipient Category	Total (N=824)	Own HH	Institutions	Other HHs	Own Assets	Exclusively
Own HH	654(84.7%)	-----	490	171	202	123
Institutions	603(78.4%)	490	-----	172	178	89
Other HHs	196(25.5%)	171	172	-----	77	2
Own Assets	205(26.7%)	202	178	77	-----	0
Exclusively	214(27.8%)	123	89	2	0	-----
Total Remitters	769	651	603	196	205	214

- Total remitting HHs in sample 769 (93.9%)
- only 16% of remitting HHs remitted exclusively to Own HH
- 8% of remitting HHs remitted to all categories of recipients
- 12% of remitting HHs remitted exclusively to institutions
- 64% of remitting HHs remitted to own HH & institutions
- only 10% of remitting HHs remitted to Other HHs and Own Assets

# Composition of Remittances by Category of Recipient

- Urban HHs sent
  - More on average \$8.4 compared with \$5.8 thousand Riverina
  - a larger proportion to the other categories besides their own HC HHs than regional HHs
  - more to churches and other organisations than regional HHs
  - less to own HH in HC than regional HHs
  - More to own asset accumulation than to institutions or other HHs for all except for Tongans in Riverina & Cook Islanders in Sydney



# Sending Decisions of Remitting Migrant HHs

Variables	Riverina	Sydney
N=824	N=194	N=630
Remit Money to own HC HH (%)	88.33	77.08
Remit Goods to own HC HH (%)	42.22	46.18
Payments on behalf of own HC HH (%)	30.00	44.82
Formal channel (%)	11.67	21.05
Consulted OMs before remitting (%)	10.56	18.85

- Remittances to own HH
  - 85% remitted to own HH
  - formed largest proportion of HH remittances
  - money most common form of remittance to own HH
  - more urban HHs sent goods for all countries except Samoa
  - more urban HHs made payments on behalf of own HC HH except Cook Islands
  - more urban HHs consulted OMs before remitting to own HC HH
  - more urban HHs used formal channels for sending money

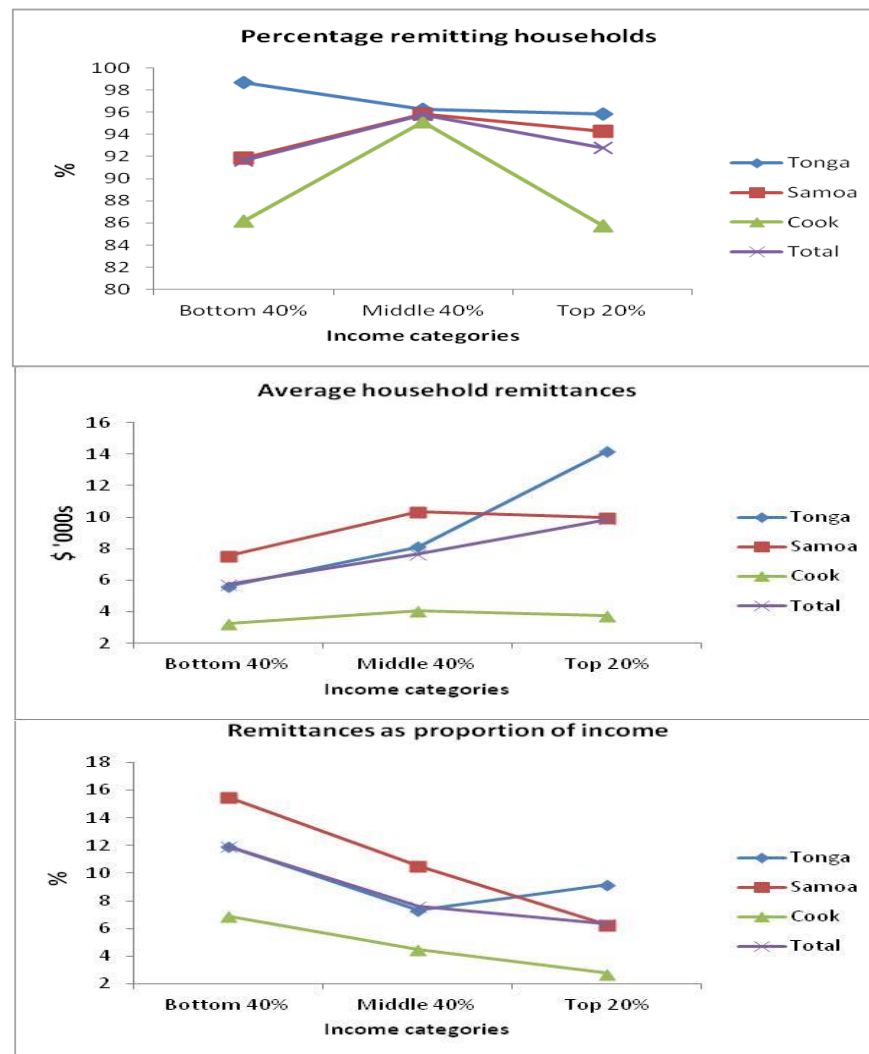
# Selected Remittances Variables by Income Category

Income category	Bottom 40%	Middle 40%	Top 20%
Number of HH N=807	324	330	153
Riverina	23.15%	28.79%	13.73%
Remitting HH	91.67%	95.76%	92.81%
Mean HH remittance (\$'000s)	5.75	7.65	9.88
Remittances (% of income)	11.98%	7.60%	6.35%
Using informal channels (%)	17.28%	17.58%	10.46%
HH Head Total years abroad (yrs)	21.92	23.97	24.97

- HHs in regional areas are poorer than in urban areas
  - lower proportion of high income HHs in regional areas
- Top income category
  - highest mean HH remittance for Tonga but middle 40% for Samoa and Cook Islands
  - remittances form a lower proportion of income
  - lowest use of formal channels for sending money

# Remittances by Income Category and Country of Origin

- Similar proportion of HHs remit for all income categories
  - for all countries except Cook Islands
- Tongans have a strong positive relationship between income & remittance levels
- Remittances as a proportion of income decline as income increases
  - for all countries except Tonga
- Remittances by Cook Islanders much less but still about 10% of GDP from Aus (another 50% GDP from NZ?)



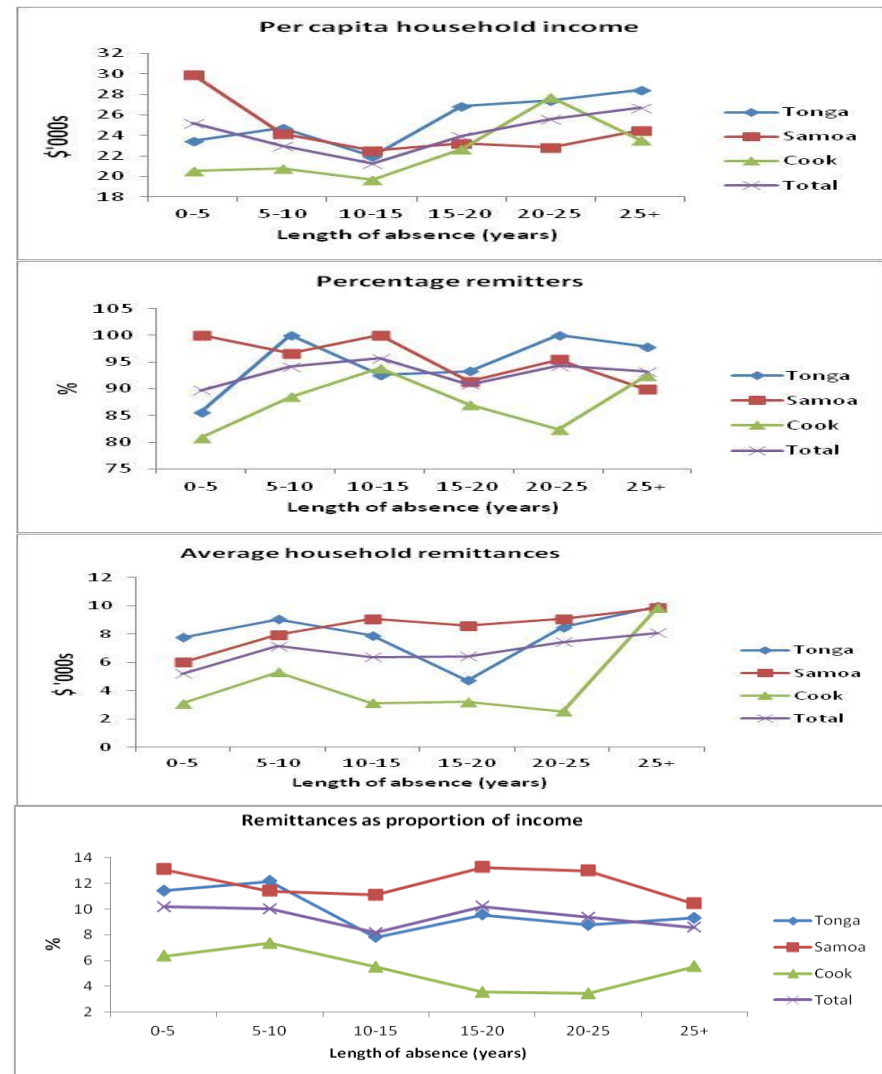
# Selected Remittance Variables by Length of Absence (LOA) of HH head

Length of absence (years)	0-5	5-10	10-15	15-20	20-25	25+
N=824	39	68	118	131	159	309
Proportion HHs in category (%)	4.73	8.25	14.32	15.90	19.30	37.50
Riverina (%)	53.85	30.88	15.25	25.95	26.42	18.77
Remitters (%)	89.74	94.12	95.76	90.84	94.34	93.20
Mean per capita income ('000\$)	25.18	23.03	21.31	23.94	25.62	26.69
Mean HH remittance('000\$)	5.21	7.15	6.39	6.44	7.46	8.09
Remittances as % of income	10.19	10.01	8.16	10.21	9.35	8.57
Intent to return(%)	7.69	22.06	20.34	18.32	18.24	18.12

- Majority of HH heads have been abroad for more than 25 years
- Most recent cohort
  - More live in the Riverina
  - Fewer intend to return
  - Relatively high pc income
  - Remit lowest amounts
  - Remit similar % of income
- Remittances *positively* associated with LOA (possible 'cohort effect')

# Remittances by OA and Country of Origin

- Mean per capita income of recent migrants comparable to older migrants
  - Except for Samoans with recent migrants earn more
- Similar proportion of HHs remit for all LOA categories
- Mean remittance levels do not decline with LOA either in absolute terms or as a proportion of income
- No evidence of remittance decay with LOA for any group



# Probit Regression Results by Category of Remittances Sent and by Country of Origin

Remittances sent to:	Own HH			Other HH			Organizations			Own Assets		
	Tonga	Samoa	Cook Islands	Tonga	Samoa	Cook Islands	Tonga	Samoa	Cook Islands	Tonga	Samoa	Cook Islands
Years of education				++				--	---	+		
Total HH income								+++		++		
Own house in Australia	+	+		--			---					
Total years away from HC	++		-	++								-
Origins in rural area of HC			--					--			--	
Living in Riverina		+			+		--				---	
Unexpected events in Aus HH					+++		-		+++			
Unexpected events in HC HH		+++				+					+	
Own house in HC	+++		+++			++				+++	+++	
Intend to return to HC		+++		+++		+	+++			---		
Had visitor from HC	+++	+++	+++	+	+++	-	++	++				
Parent living in HC	+++	+++	+++					+++			+++	++
Other migrants associated	---			++				+++	++			
Active in church				++				+++				

+++ , ++ , + indicate positive effect and statistically significant at the 1% , 5% and 10% levels respectively  
 - , - - , - - - indicate negative effect and statistically significant at the 1% , 5% and 10% levels respectively  
 HH=household; HC=home country

# Econometric estimation – preliminary findings

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- Models for each of the recipients
    - Own HH, Other HHs, Institutions, Own asset accumulation
    - Variables in models include
      - observable characteristics of remitting HHs
      - unexpected shocks to the migrant HHs in Australia and HC
      - social networks of migrant HHs and their strength of association with HC
  - Summary of findings
    - Samoans in Riverina more likely to remit to own and other HHs
    - Duration of LOA of HH head does have a negative relationship
    - Remittances not affected by HH income except for
      - Samoans remitting to an *organization* and Tongans remitting towards *own asset accumulation*
    - Strength of association with HC variables have a positive effect on one or more remittance recipients
      - Intention to return is positively associated for remittances to other HHs for Tongans and Cook Islanders
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# Concluding remarks

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- Study contributions
    - inclusion of Cook Islanders first in Australia and first remittances study since 1980s (remittances could be 60% of GDP)
    - our dataset allows for disaggregation of remittances by recipient category
    - Also allows for comparative analysis of migrants in urban and regional areas and from three countries
  - Initial findings include
    - household income not associated with the probability of remitting or the amount remitted
    - LOA not associated with decline in probability of remitting or amount remitted
    - migrants' strength of association with HC strongly associated with remitting
    - Preliminary regression modeling suggests regional migrants remit less beyond own HH
    - Most migrants prefer informal transfer channels, especially the wealthiest and those living in Riverina
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# Concluding remarks

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- Further empirical analysis of:
  - factors associated with
    - amounts and composition of remittances
    - choice of urban vs regional residential location (incl. expected income differential)
    - method/channel of remittance transfer (informal vs formal)
  - roles of ‘sharing norms’, community pressures and church affiliation on remittances
- Limitations of single cross-sectional dataset
  - Methodological challenges establishing causality
  - Length of absence not necessarily capturing effect of time away
- Survey designed as first wave of longitudinal study
  - Respondents’ names and addresses retained
  - Additional research funding to be sought for repeat surveys

**THANK YOU!**

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