

10. Remittances

10.1 Introduction

Remittances are defined for our purposes as the transfer of any asset by an immigrant, from Australia to their country of origin. Remittances provide an additional source of income to the immigrants' families resident overseas and thus enhance their living standards.

Remittances are a valuable gift to the recipient individuals and country. They may be invested, thus increasing the country's capital stock. If they are not invested, the extra consumption increases demand, creating employment with a multiplier effect leading to increased growth (John Samuel, 1998). For the source country (ie. Australia) the reverse effects are expected.

The analysis in this section examines the answers given by the Primary Applicant in relation to the Financial Assets and Transfers section of the LSIA questionnaire. It will entail a discussion of any differences between the two cohorts in relation to remittance ratios. We define the remittance ratio as the percentage of migrants from the sample who had made remittances any time since their arrival up until the time of their interview – approximately six months. Furthermore, we will compare the average amounts remitted, look at the type and breakdown of the remitted amounts and provide an estimate of the percentage of total income that is remitted.

10.2 Remittance Ratios

The migrants were first asked if they had made any remittances since arriving in Australia. The major fact about remittances is that only a very small percentage of migrants replied 'yes' to this question. This was the case for both cohorts as well as across the different visa groups and for both genders.

Table 10.1a shows that in total, a mere three per cent of respondents in Cohort 1 said that they had sent anything back to their countries of origin since arriving in Australia. The figure for Cohort 2 was also three per cent.

The story was much the same across the different visa categories with some modest differences. With the exception of the Preferential family/family stream category we saw a

small decrease in the remittance ratio from Cohort 1 to Cohort 2. The spread of remittance ratios over the visa groups for Cohort 1 was between 2 per cent (Preferential family/family stream) and five per cent (Independent). For Cohort 2 the spread was from two per cent (Humanitarian) to three per cent (Concessional family/skilled Australian-linked).

We found that there was no significant difference between the remittance ratios over the two cohorts when controlling for visa groups.

When controlling for sex in Table 10.2, we found that three per cent of men and two per cent of women made remittances in Cohort 1. In Cohort 2 we saw a decline in the male remittance ratio to two per cent and an increase in the female remittance ratio to three per cent. The change in remittance ratios across the two cohorts was statistically significant for males, but not for females.

It was interesting to see that when comparing cohorts in total, there was a significant difference between the remittance ratios of the two cohorts. Although there was no difference between the absolute values of the remittance ratios after rounding, the Pearson chi-square test suggests that this apparently negligible difference is a consequence of real changes and is not merely due to sampling error. This conclusion most likely resulted from having a large sample.

Table 10.1: Remittance Ratio– Percentage of Migrants Who Made Remittances, by Visa Category

Remitted	Cohort	Concessional family/skilled Australian-linked	Independent	Preferential family/family stream	Business skills/employer nomination scheme	Humanitarian	Total
Yes	1	3	5	2	4	3	3
	2	3	3	3	2	2	97
No	1	96.5	95	98	95	96	97
	2	97	97	97	97	98	<0.5
Don't Know	1	<0.5	<0.5	<0.5	<0.5	1	<0.5
	2	0	0	<0.5	1	0	
Significance ¹		n.s.	n.s.	n.s.	n.s.	n.s.	*

Notes: (1) Pearson Chi-square test, n.s. = not significant, * = probability < 0.05

Table 10.2: Remittance Ratio – Percentage of Migrants Who Made Remittances, Cohorts 1 and 2, by Sex

Remitted	Cohort	Male	Female	Total
Yes	1	3	2	3
	2	2	3	2
No	1	96	98	97
	2	98	97	97
Don't Know	1	1	<0.5	<0.5
	2	<0.5	<0.5	<0.5
Significance ¹		*	n.s.	*

Notes: (1) Pearson Chi-square test, n.s. = not significant, * = probability < 0.05

10.3 Average Amounts Remitted: Type and Breakdown

The migrants who said that they had made remittances since arriving were then asked to give an estimate - to the nearest thousand - of the total amount that they had remitted in funds, personal effects, and capital equipment respectively.

We will address two questions of particular interest in regard to the average amounts remitted. Firstly, what is the average amount remitted when considering only those respondents who had remitted something? Secondly, what is the average amount remitted on a per-immigrant basis; that is, what is the average remittance when considering the entire migrating population for each cohort?

To answer the second question, we assigned a value of zero to those respondents who answered “no” or “don’t know” when asked if they had made any remittances. Before we proceed, a warning is in order in regard to a comparison of the real remitted amounts across the cohorts. The problem arises because the estimated amounts were rounded to the nearest thousand and this prevents accurate adjustment for inflation. No adjustment has been made to the amounts remitted by Cohort 1 to reflect this inflation.

The most obvious feature of Table 10.3 is that almost the entire amount remitted was in the form of funds; very little was remitted in the form of personal effects or capital equipment. This was true for both cohorts as well as across all visa categories and both sexes.

Consider firstly only those respondents who said that they had made remittances. The cohort averages for total amount remitted over the six-month period between arriving and the date of the interview were \$2,824 and \$8,912 for Cohort 1 and Cohort 2 respectively. This large difference is statistically significant and there are two possible explanations for it. Firstly, there was a substantial increase in the average income of migrants in Cohort 2 compared to Cohort 1 (Richardson et al. 2001). Thus Cohort 2 migrants had a greater capacity to make these transfers, early in their period of settlement in Australia. Secondly, there was an increase in the fraction of their current income that is remitted by Cohort 2 migrants compared to Cohort 1 migrants. The latter will be discussed in detail below.

Table 10.3: Average Amount Remitted Over A Six-Month Period, Cohorts 1 and 2 (\$)

Type	Cohort	# of People Who Made Remittances	^Per-Immigrant Basis
Funds	1	2815	75
	2	8909	253
Personal Effects	1	6	0
	2	3	0
Capital Equipment	1	3	0
	2	0	0
Total	1	2824	75
	2	8912	253
Significance ¹		***	***

Notes: (1) Pearson Chi-square test, *** = probability < 0.001

(2) # n = 236, ^ n = 8702

We noted earlier that the composition of the remittances has not changed over the two cohorts, hence the increase in the average total remittance can almost completely be attributed to an increase in the average amount of funds remitted. For this reason, we see that there is a significant difference between the average amount of funds remitted between the two cohorts, while there was no significant difference between the average value of personal effects and capital equipment remitted between the two cohorts.

We next report average remittances on a per-migrant basis: that is, considering the entire migrating population. We found that the cohort average of the total amount remitted increased from \$75 for Cohort 1 to \$253 for Cohort 2. Once again there was a significant difference between the two cohorts in relation to the total average amount and the average amount of funds remitted. However, there was no significant difference between the cohorts when it came to the value of personal effects and capital equipment remitted.

We start to encounter problems when trying to compare average amounts remitted across visa categories or gender. Since such a small number of migrants made remittances, when we make the distinction between visa categories or gender the sample sizes are too small to make any valid comparison. Hence, tables disaggregated by visa categories or gender will not be presented in this section, although we have looked at such tables. The Independent and Preferential family/family stream visa categories are worth mentioning, since they have sample sizes greater than twenty-five for both cohorts. There was a decrease in the average amount remitted for the Preferential family/family stream visa group from \$1,574 in Cohort 1 to \$1,207 in Cohort 2. The Independent visa category experienced an astounding increase in

the average amount remitted from \$1,665 in Cohort 1 to \$24,298 in Cohort 2. Investigation into whether the figures for the Independent visa category were valid revealed that six out of the twenty-six migrants in the Independent visa group of Cohort 2 reported making remittances totalling \$100,000 in value over the six-month period. It is the presence of these six outliers that has caused the substantial increase in the average amount remitted from Cohort 1 to Cohort 2.

When controlling for gender, the average amount remitted by males increased from \$3,302 for Cohort 1 to \$18,220 for Cohort 2 while female average remittances decreased from \$1,863 to \$1,786 between the two cohorts. The fact that the six respondents who made remittances totalling \$100,000 in value were all male explains the extreme increase in the average amount remitted by males between cohorts. Although this change is statistically significant, the reader is cautioned when interpreting these results as a consequence of the small sample size.

10.4 Average Fraction of Income Remitted

As mentioned earlier, the increase in the average total amount remitted from Cohort 1 to Cohort 2 can be the result of either an increase in the average income of migrants between cohorts or that the migrants in Cohort 2 are remitting a larger percentage of their income, or both.

We here examine whether Cohort 2 migrants are remitting an increased fraction of their income. We will define income as being the income of the Primary Applicant, and calculate the amount remitted as a proportion of this value. We faced a number of problems when trying to establish whether there has indeed been a change in the fraction of income remitted between Cohort 1 and Cohort 2. The first difficulty is a consequence of the data for income and remittances not being directly comparable. The immigrants were asked to place themselves in one of thirteen different gross weekly income brackets, ranging from none to \$962+. On the other hand, remittances were rounded to the nearest thousand dollars and were a total for the six-month period between their arrival and the interview. It would normally be straightforward to convert the data in order for it to be comparable, however, the income brackets that were selected were not equal in size. In order for us to calculate any meaningful figure we assumed that within each income bracket, income was distributed evenly across the income intervals. With this assumption in mind we took the mid-point of each income

bracket as being representative of the average income for all the migrants in that particular income band.

We then converted the six-month total value of remittances to an average weekly value by dividing it by twenty-six (numbers of weeks in six months). These average weekly remittance values were then placed into remittance intervals that were comparable to the income bands. Once again, the mid-point of these intervals was taken to be representative of the average for any particular remittance band. With these manipulations, the data for income and remittances were sufficiently comparable to enable us to calculate a meaningful figure for the percentage of income remitted.

Our measure for the percentage of income remitted was based on our calculations of the average amount remitted. Consequently, the problems that we faced when trying to calculate the average amount remitted also occur here. Because such a small number of respondents made remittances, any distinction between visa categories or sex was meaningless. This problem was exacerbated by the fact that there were a number of people who fell into the zero income band. These individuals had to be removed from the analysis (to avoid the division by zero) further reducing our sample size.

For this reason we are unable to present the results in any meaningful table. At first glance it appears that the fraction of current income remitted, for those who did remit some amount, has increased substantially from Cohort 1 (20%) to Cohort 2 (59%). However, one should not read too much into these results since this difference was statistically non-significant.

Further investigation of the raw data revealed that there were a number of cases over both cohorts and all visa categories in which the respondents said that they remitted more than they earned. This problem however, was most evident in the Independent visa group of Cohort 2, where 10 out of the 26 respondents' answers meant that they actually remitted amounts that were considerably higher than their current income. We are sceptical that this represents the true state of affairs. It may be that the question was a difficult one for respondents to answer accurately.

In trying to solve this puzzle, we found out as much as possible about the characteristics of those migrants who made remittances that were considerably larger than their income levels.

The most that any individual remitted was \$100,000 in total value. Of the seven respondents who remitted this amount, six were from the Independent visa category and the other was from the Business skills/ENS group: all seven were male. It was reassuring to find that six of the seven migrants brought assets with them to Australia valued in excess of \$400,000 in value and the last arrived with assets totalling one million dollars in value. It was therefore possible for these individuals to make remittances at a greater capacity than their income levels would suggest. In this case, however, the remittances are not properly seen as a net outflow from Australia consequent upon migration.

10.5 Conclusion

Extremely small proportions of migrants make remittances. This is true for both cohorts as well as across the five different visa categories. Almost the entire amount remitted was in the form of funds. People who migrate under the more economic visa categories of Independent or Business skills/ENS were more likely to make remittances.

The average amount remitted increased substantially between Cohort 1 and Cohort 2. This was mainly due to the presence of six outlying values that caused the average in Cohort 2 to be skewed upwards. Because such a small number of individuals made remittances, one should take care when interpreting these results since such outliers are likely to substantially affect the results. For the same reason distinction between visa categories or gender was of little value.