

**Salvadorans Overseas:**  
**The Foundation of a Pro-Poor Growth Strategy**

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## **1. Introduction and Summary**

El Salvador is highly unusual among developing countries in its number of overseas migrants relative to the national population: at least one in seven Salvadorans lives outside of the country, primarily in the United States. Estimated total personal income of Salvadorans living in the United States was \$13.3 billion in 2001, roughly equal to El Salvador's GDP in that year.<sup>1</sup> These overseas earnings bring substantial benefits to migrants' origin families and communities via remittances, which has amounted to 14% of Salvadoran GDP in recent years.

The overseas Salvadoran community can be one of the cornerstones of a pro-poor growth strategy. Migrants typically come from more disadvantaged Salvadoran households, specifically those with less-educated heads and those in rural areas. For this reason, policies that assist overseas migrants, facilitate remittances, and provide investment opportunities for remittances will disproportionately benefit poor and disadvantaged Salvadoran families.

This report begins with a broad picture of aggregate changes in migration and remittances in El Salvador. It then provides an overview of Salvadoran migrants in the United States, and presents a conservative projection of the future path of remittances sent to El Salvador. It goes on to document the beneficial impact that migration and remittances have on households in El Salvador. The report concludes with a set of policy recommendations for maximizing the contribution of overseas Salvadorans to the development of the country.

In the year 2001, the number of Salvadorans living in the United States was between 0.8 and 1.1 million.<sup>2</sup> Large flows of Salvadorans into the US started with the civil war in 1980, and have continued at a remarkably steady pace in the two decades since. The number of Salvadorans in the US rose substantially in the 1990s (by anywhere from 68% to 81%, depending on definitions).

Concurrent with the expansion of Salvadorans overseas, the dollar value of remittances sent to El Salvador has also grown dramatically, from \$790 million to \$1.94 billion between 1991 and 2002. Migrants with more years overseas are less likely to send remittances, and the overseas Salvadoran population is shifting markedly towards migrants with more years overseas. Nonetheless, the most reasonable projections testing the implications of this shift suggest that remittances are likely to continue expanding in absolute terms, at least modestly.

Salvadorans in the US are more educated and more likely to be working age (20-59) than Salvadorans in the home country. They are highly concentrated geographically, with four areas—California, the greater DC area, Texas, and New York—accounting for 79% of the total. US-based Salvadorans are less likely to use financial services like banks and credit cards than the rest of the US population.

Migration and remittances affect a considerable fraction of households in El Salvador: in 2002, one in five households reported having one or more members overseas, and a similar number reported receiving remittances from abroad. Migration helps households cope with shocks (such as death, extraordinary medical expenses, or job loss in the family). In addition, a range of social outcomes (income, household amenities, and child education) are superior in households receiving remittances compared to those not receiving remittances.

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<sup>1</sup> Estimated total personal income of Salvadoran-born and self-identified Salvadorans in the US from the year 2001 round of U.S. government's Census 2000 Supplementary Survey (C2SS). Most of the data on Salvadorans in the US in 2001 used in this chapter are from the 2001 round of the U.S. Census 2000 Supplementary Survey, a nationally-representative US household survey covering some 700,000 households. Data on Salvadorans in the US in 1990 are from the 1990 US Census (IPUMS 1% sample).

<sup>2</sup> Depending on the definition of "Salvadoran".

The most important policy priorities related to migration and remittances are those that expand the legal rights of Salvadorans overseas. The government should extend the Salvadoran presidential vote to overseas Salvadorans, and must place a high priority on lobbying the US government to maintain and expand legal work status for Salvadorans in the US.

Furthermore, the government should devote self-discovery efforts (as described in Dani Rodrik's chapter) to small-scale activities. Such efforts can catalyze flows of small-enterprise finance from overseas Salvadorans to many of the most disadvantaged Salvadoran households. Any new opportunity (say, a new fruit crop) is likely to spread particularly rapidly in El Salvador given the wide availability of financing via remittances. Other promising policies include encouraging overseas Salvadorans to retire in El Salvador, and facilitating overseas Salvadorans' access to financial services via the consular network.

## **2. Aggregate Migration and Remittance Trends**

### *Migration trends*

As the vast majority of Salvadoran overseas migrants are in the US, the US trend is broadly representative of overall changes in overseas Salvadoran migration. Estimates of the number of Salvadorans in the US range from 0.8 to 1.1 million (depending on the definition of "Salvadoran") in the year 2001.

All indications are that the number of overseas Salvadorans rose substantially in the 1990s (see Figure 1). Three different definitions of "Salvadoran" are available from US Census data.<sup>3</sup> The upper-left corner of Figure 1 presents the estimated number of Salvadoran-born individuals in the United States, which grew from 469,002 to 790,959 between 1990 and 2001 (an increase of 69%). The upper-right corner of Figure 1 displays the corresponding total of individuals who identify themselves as Salvadoran in the question on Hispanic origin (but do not have to be born in El Salvador): there is a 68% increase, from 560,843 to 941,249. The union of these two definitions yields the figures in the lower-left corner, an 81% increase from 593,228 to 1,073,822.

The lower-right corner of Figure 1 displays the size of a subgroup of overseas migrants—specifically, those still considered members of households in El Salvador.<sup>4</sup> These figures are considerably lower than US figures, probably because many migrants are no longer considered household members by any household in El Salvador, or because households fear reporting migrants who went overseas illegally. These figures show a 51% increase between 1992 and 2002, from 323,133 to 487,529.<sup>5</sup>

We can get an approximate sense of the year-by-year flows of Salvadoran-born individuals into the US by examining years of first entry by Salvadorans observed in the year 2001.<sup>6</sup> Figure 2 displays the number of Salvadorans who reported first entering the US in specific past years. Relatively few Salvadorans entered the US in years up to and including 1979. The large spike in 1980 entries (amounting to about 48,000 individuals) is the most striking feature of this graph. After 1980, each subsequent entry year is reported by an average of about 30,000 Salvadoran-born individuals.

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<sup>3</sup> US data in this figure come from the year 2001 round of U.S. government's Census 2000 Supplementary Survey (C2SS), and 1990 U.S. Census (IPUMS 1% sample).

<sup>4</sup> Data are from the Encuesta de Hogares Propósitos Múltiples (EHPM), 1992 and 2002 rounds.

<sup>5</sup> While in principle each overseas migrant is supposed to be reported by at most one household in El Salvador, it is possible that some migrants are reported by multiple households.

<sup>6</sup> Data from year 2001 round of Census 2000 Supplementary Survey (C2SS).

Migrant returns to El Salvador are quite rare, as evidenced by Figure 3.<sup>7</sup> Of individuals reported by rural households in El Salvador as ever having migrated, a scant 2.3% returned to live permanently in El Salvador.

Figure 4 traces the *cumulative* number of Salvadoran-born individuals who arrived in the US in or prior to a given year.<sup>8</sup> As long as return migration and attrition by death are relatively unimportant, these data approximate a historical trend in the stock of Salvadoran-born individuals in the US. The sudden influx of Salvadorans in 1980 and after is reflected in a sharp upward break in the trend line in 1980. Growth in the stock of Salvadoran-born individuals in the US has been remarkably steady in the ensuing two decades.

#### *Remittance trends*

Reflecting the massive growth in Salvadorans overseas, the dollar value of remittances sent to El Salvador has also grown dramatically in the last decade. According to the Salvadoran Banco Central de Reserva (BCR), remittances sent to El Salvador grew significantly in absolute terms from 1991 to 2002, from \$790 million to \$1.94 billion (see Figure 5).

Figure 6 presents alternative estimates of El Salvador's remittance receipts from the nationally-representative Encuesta de Hogares Propósitos Múltiples (EHPM).<sup>9</sup> This approach generates much lower levels of remittances (presumably due to underreporting by households), but these figures also show dramatic growth, from \$166 million in 1992 to \$593 million in 2002.

As a share of GDP, remittances sent to El Salvador declined slightly from 14.9% to 13.5% from 1992-2002, with some fluctuation in interim years (see Figure 7). By comparison, remittances have become larger over time as a share of GDP in other Central American and Caribbean countries. Note, however, that El Salvador had by far the highest share of remittances in GDP in 1992, and by 2000 only Nicaragua had caught up with El Salvador among these comparison countries.

It is also useful to look at remittances per capita (Figure 8), because remittances as a share of GDP may be confounded in part by exchange rate movements. Remittances per capita in El Salvador rose from \$152 to \$279 between 1992 and 2000, a growth of 83.9% over the period. By comparison, remittances per capita were considerably lower throughout the period in neighboring countries, with only the Dominican Republic approaching El Salvador's figure in 2000, at \$202. However, growth rates in remittances per capita were considerably higher in all other countries. In Honduras, for example, the figure in 2000 (\$64) was more than six times the 1991 figure (\$10).

#### *Projection of future path of remittances*

Two facts make it important to assess any potential changes in the future trend of El Salvador's aggregate remittances.

First, remittances sent decline in the number of years the migrants have been overseas. Figure 9 presents the mean annual remittances sent by migrants with different numbers of years overseas, as reported by rural households in the year 2000 BASIS survey. The figures reported are ratios with respect to the mean amount sent by those with 0-5 years overseas. The ratio of

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<sup>7</sup> Data are from the BASIS El Salvador Rural Household Survey, year 2000. Detailed information on Salvadoran migrants and their source households is available in this survey. While this survey only collects information on rural households, it includes a wide range of questions and also tracks households over time.

<sup>8</sup> Calculated by summing all numbers in Figure 2 up to and including the given year.

<sup>9</sup> Each household's reported remittance receipts are multiplied by survey sample weights, and then all these are summed to generate an aggregate remittance figure in each year.

mean remittances sent by migrants with 6-10 years overseas to those sent by migrants with 0-5 years overseas is 0.89. The corresponding figures are 0.81, 0.54, and 0.39 for migrants with 11-15, 16-20, and 21 or more years overseas respectively.<sup>10</sup>

At the same time, the population of Salvadorans in the US is shifting towards those with greater number of years in the US—in other words, those who remit less on average. Figure 10 presents the composition of Salvadoran-born individuals in US Census data, for the 1990 Census compared to the 2001 C2SS. In 1990, 89% of the Salvadoran-born in the US had been in that country for 15 years or less. In 2001, the corresponding figure was 62%.

It is important, therefore, to estimate whether expected changes in the composition of the migrant population in terms of years away is likely to lead to any declines in future remittances. What follows are predictions of the path of aggregate remittances through 2010. Because nearly all overseas Salvadorans are in the United States, estimates of the population of Salvadorans in the US will be the basis for this exercise.

The projections first assume that the relative amounts sent home by migrants with different numbers of years overseas are as reflected in Figure 9, and do not vary over time.<sup>11</sup> In addition to this assumption, two other elements are necessary for the projections: projections of annual remittances sent per migrant with 0-5 years away, and the number of new Salvadoran migrants who enter the US in each year.

Nominal remittances sent to El Salvador rose from \$790 million in 1991 to \$1.75 billion in the year 2000. Assuming only Salvadoran-born individuals in the US sent remittances, and that relative amounts sent across years-away categories are as in Figure 9, their composition by years away in that year implies that nominal remittances sent by those with 0-5 years overseas should have risen from \$1,806 to \$2,991 between 1991 and 2000, an annual compounded growth rate of 5.77%.<sup>12</sup> The projections from 2001 through 2010 will include scenarios with two different assumptions regarding future annual remittances sent by each migrant with 0-5 years overseas: first, that they continue to grow at this annual rate of 5.77%, and alternatively, that they stop growing and remain at the year 2000 level of \$2,991.

The last key component of the future remittance calculation is a projection of new annual flows of Salvadoran-born individuals to the US. In Figure 2, average annual growth between 1990 and 2000 in the number of new Salvadorans in the US was 31,203. The projections from 2001 through 2010 will include scenarios with two different assumptions regarding future annual flows of Salvadoran-born individuals to the US: first, that they continue to enter at the rate of 31,203 per year, and alternatively, that the stock of Salvadoran-born individuals in the US stops growing and remains at the year 2000 level.<sup>13</sup>

Under the assumption of a continued flow of 31,203 new arrivals annually, the composition of Salvadoran-born individuals in the US by 2010 would become even more weighted towards those with more years away (as depicted in the lower-right corner of Figure

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<sup>10</sup> If households are less likely to consider non-remitting migrants as part of the household (and thus don't report these individuals at all in the survey), these figures will understate the true extent to which remittances decline with the years migrants have been away.

<sup>11</sup> Effectively, then, the average amount of remittances sent per overseas migrant is determined by the amount sent by migrants away for 0-5 years and by the composition of the overseas migrant population in terms of years overseas.

<sup>12</sup> These figures are considerably higher than figures from the BASIS survey, presumably because of significant underreporting in that survey.

<sup>13</sup> For simplicity, all projections further assume that the stock of Salvadoran-born individuals in the US is not reduced by migrant mortality.

10): only 46% will have been in the US for 15 years or less by 2010. This compositional shift occurs in spite of the new arrivals because the stock of individuals who arrived earlier is considerably larger, and will have accumulated more years in the US. The projected flow of new arrivals brings the number of Salvadoran-born individuals to 1.09 million in 2010.

The table at the bottom of Figure 11 outlines the assumed scenarios underlying four projections of aggregate remittances from 2001-2010. Scenario 1 is the least conservative, assuming an annual flow of 31,203 new migrants to the US, and annual growth of 5.77% in remittances per migrant in each “years-away” category. The next two scenarios are more middle-of-the-road. Scenario 2 assumes no growth in the number of new migrants, but 5.77% growth in remittances per migrant in each years-away category. Scenario 3 assumes an annual flow of 31,203 new migrants to the US, but no growth in remittances sent per migrant in each years-away category. Scenario 4 is the most pessimistic, assuming no growth in the number of new migrants to the US, and no growth in remittances sent per migrant in each years-away category.

Figure 11 displays the actual aggregate remittances from 1991 to 2002 (the solid line) and projected remittances from 2001 to 2010 (the broken lines) for each scenario. In all scenarios except for Scenario 4, there is at least modest projected growth in aggregate remittances through 2010. The combination of growth in migrants and growth in remittances per migrant in each years-away category leads Scenario 1 to show the greatest increase in aggregate remittances, reaching \$3.7 billion by 2010. Even if no new Salvadoran migrants enter the US, a continuation of the historical annual growth in remittances per migrant in each years-away category will lead remittances to rise to \$2.6 billion by 2010 (Scenario 2). If flows of new migrant arrivals in the US continue at their historical rate, but remittances per migrant in each years-away category stay stagnant, remittances still rise modestly to \$2.1 billion by 2010 (Scenario 3). In this scenario, the shift of the overseas Salvadoran population towards those with more years away (and who thus remit less) seems to be compensated for in aggregate by flows of new individuals into the US. Finally, no new Salvadoran migration to the US combined with unchanging remittances per migrant in each years-away category leads aggregate remittance receipts to fall to \$1.5 billion by 2010 in Scenario 4, as the population of Salvadoran-born individuals in the US shifts into older years-away categories.

Which of the above scenarios are most likely? There seems no reason to believe that growth in the incomes of Salvadoran migrants in each years-away category would not continue growing at historical rates, as assumed in Scenarios 1 and 2. What may be more likely is stricter enforcement by the United States against illegal immigration, which may somewhat reduce new annual flows of Salvadorans entering the US. However, it is unlikely that annual new migration would fall to zero, as assumed in Scenario 2. So the most likely outcome is probably between Scenarios 1 and 2 (remittances rising to between \$2.6 billion and \$3.7 billion by 2010). Scenarios 3 and 4 can reasonably be seen as very pessimistic scenarios.

### **3. Overview of Salvadorans in the US**

This section provides an overview of social, demographic, and economic characteristics of Salvadorans in the United States, including some comparisons of age and education distributions with the domestic population of El Salvador. Some of the policy recommendations related to self-discovery (in Rodrik’s chapter) involve accessing the expertise and investment of

overseas Salvadorans, so this section also provides additional detail on the high-income subgroup of Salvadorans in the US.<sup>14</sup>

This chapter will make use of two definitions of Salvadoran, as pictured in Figure 12. A total of 1.1 million Salvadorans in the US in 2001 can be divided into those born in El Salvador (73.7%) and those not born in El Salvador but still identifying themselves as Salvadoran on the question on Hispanic origin (26.3%). Some figures displayed in this chapter will focus on the total group of 1.1 million, and others will focus just on the subset of Salvadoran-born individuals in the US.

The 1.1 million Salvadorans in the US in 2001 (defined by country of birth and self-identification in a question on Salvadoran origin) outnumber equivalently-defined populations of migrants from other small Central American countries (left-hand-side of Figure 13). For example, there are only 0.6 million Guatemalans in the US, even though the Guatemalan domestic population is nearly twice that of El Salvador. El Salvador also stands out with respect to its regional neighbors in terms of US migrants as a share of home country population, at 17.1%. By comparison, in no other small Central American country is the corresponding figure greater than Panama's 6.2% (right-hand-side of Figure 13).

Salvadorans in the US are highly concentrated in a few states (Figure 14). The largest concentrations are in California (48.5%), the greater DC area (12.5%), Texas (10.5%), and New York (7.5%). These four cities account for 79% of all Salvadorans in the US. Usefully, this geographic concentration makes overseas Salvadorans amenable to targeted outreach efforts by Salvadoran consulates.

Compared to the population of El Salvador, Salvadoran-born individuals in the US are much more heavily concentrated in the working age groups (ages 20-49)—77% against 38.2% in El Salvador (Figure 15)—which is unsurprising if migrants typically go away to work. Salvadoran-born individuals in the US are also typically more educated than the corresponding individuals in El Salvador. Figure 16 compares the educational attainment (for those aged 25 or more) of Salvadoran-born individuals in the US with the Salvadoran home country population. Those in the US are much more highly educated: 41.7% of those in US have a high school degree or more, against 19.6% in El Salvador. The corresponding figures for B.A. degree or more are 6.7% and 4.0%.

Salvadorans in the US are predominantly poor, with 62.4% of those aged 25 or more reporting less than \$20,000 per year in personal income (Figure 17). 5.8% have \$50,000 or more in personal income. Among those with a B.A. or more education, 25.5% earn \$50,000 or more per year.

Any contributions from overseas Salvadorans in terms of expertise or investment are most likely to come from the high-income subgroup. Those with \$50,000 or more in personal income (numbering an estimated 36,600) are much more highly educated than the typical Salvadoran in the US (Figure 18): 81.7% have at least a high school degree, and 31% have a B.A. or more. This high-income subgroup is also more likely to be in a "professional or managerial" occupation,<sup>15</sup> at 20.9% compared with 5.6% for Salvadorans in the US generally (Figure 19). In addition, 59.5%

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<sup>14</sup> Data for Salvadorans in the US come from the year 2001 round of Census 2000 Supplementary Survey (C2SS), while data for the population of El Salvador will come from the 2001 round of Encuesta de Hogares Propósitos Múltiples (EHPM).

<sup>15</sup> "Professional or managerial" occupations include management/business operations specialists, finance, computer and math sciences, engineers, and social scientists.

of individuals in the high-income subgroup are US citizens, as opposed to 45.3% of all Salvadorans in the US (Figure 20).

The National Survey of Latinos, conducted in 2001, provides a glimpse into financial products used by various Latino groups in the US, including Salvadorans. Like Latinos in general, Salvadorans in the US tend to be less likely to use financial products than whites or African-Americans (Figure 21). Only 67% of Salvadorans have a bank account, compared with 76% of African-Americans and 95% of whites. 55% of Salvadorans report having credit cards, a figure similar to the 54% reported by African-Americans but lower than the figure for whites (77%). These relatively low usage figures suggest that a subset of overseas Salvadorans could benefit from policies to facilitate their integration into the US financial system.

### **3. Migration, Remittances, and Their Roles in Salvadoran Households**

This section provides an overview of the roles played by migration and remittances for Salvadoran households. Migration and remittances are extensive phenomena affecting considerable fractions of households. Migration is a means by which households cope with shocks such as death, high medical expenses, or job loss in the family. A range of social outcomes (income, household amenities, and child education) are superior in households receiving remittances compared to those not receiving remittances. Because remittance recipient households have poorer basic characteristics such as head's education and rural location, it is likely that these superior social outcomes reflect a causal impact of migration and remittances.

#### *Household-level migration and remittances: summary figures*

Considerable fractions of Salvadoran households in the EHPM either report having household members overseas or receiving remittances. The fraction of households receiving remittances grew by a third between 1992 and 2002, from 15.4% to 21.7% (see Figure 22). The fraction of households reporting that they have members overseas also grew somewhat over the same time period (from 16.2% to 17.7%), with some fluctuation in interim years.

Remittance flows to households are substantial both in absolute terms and as shares of household income. Figure 23 presents median annual remittances received (only for households receiving remittances), which grew from \$600 to \$1,153 between 1992 and 1998 and then stayed relatively steady thereafter, rising to \$1,200 in the 2002 survey.

These dollar figures are likely to be considerably underreported,<sup>16</sup> suggesting that it is also useful to look at median remittances as a share of household income.<sup>17</sup> The right-hand-side of Figure 23 presents this statistic, which stayed roughly stable between 1992 and 1998 (moving from 30% to 29%), probably reflecting the fact that the interim period saw substantial growth in incomes generally in El Salvador even as the dollar value of household remittances rose as well. Between 1998 and 2002, however, Salvadoran economic growth has been stagnant, so that remittances in 2002 account for a larger share (51%) of income in households receiving remittances.

An Appendix on the channels and costs of remittances at the end of this chapter documents that migrants use a variety of remittance methods, with the most common one mentioned being “agencies” (48% of migrants in the 2000 BASIS survey), which are courier

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<sup>16</sup> As evidenced by the comparison between BCR and EHPM aggregate remittances in Figures 5 and 6.

<sup>17</sup> These figures should be approximately correct, as long as the extent of underreporting of total household income is similar to any underreporting of remittances.



companies that send remittances via money order. Prices charged by major channels for remittances sent to El Salvador have declined somewhat in recent years, and are in most cases equal to or lower than prices to send remittances to neighboring Central American countries.

### *Coping with shocks via migration*

Economic shocks have a substantial impact on migration in El Salvador. When Salvadoran households experience negative shocks (such as the death of a family member, or job loss), migration of family members overseas is a means of coping. One way to see this is to focus on households in the 2000 round of the BASIS survey that had no relatives overseas at the beginning of the year 2000. 12% of these households experienced a negative household shock (either a death, major medical expenses, or a job loss) in the year 2001. Figure 24 shows that at the beginning of 2002, a much higher percentage of these households (31%, compared with 15%) had one or more relatives overseas than households that did not experience such a shock.

Because of the increase in their propensities to have overseas relatives, the shocked households also saw substantially greater increases in remittance receipts (see Figure 25). Between 1999 and 2001, remittances in shocked households rose from \$26 to \$429, compared to remittances in non-shock households, which rose only from \$40 to \$149. Migration (and the resulting remittance flow) allows Salvadoran households to cushion themselves somewhat from shocks.

### *Impact of migration and remittances on Salvadoran households*

Households surveyed in the nationally-representative EHPM also were asked how remittances were used, and Figure 26 displays the mean breakdown of reported uses of remittances for the year 2002. Consumption is by far the most important reported use for remittances, at 91% of remittance receipts on average. Education is a very distant second at 3.8% of remittances on average, with medical uses following at 2.5%. Savings, housing, agricultural inputs, business, and “other” make up the small remainder.

A drawback of relying on household self-reports regarding the uses of remittances is that money is fungible, so it is not clear what it means for remittances to have specific “uses”. Households could simply be responding to the question on remittance uses by describing the breakdown of total household expenses. Remittances could allow households to make certain types of investments (in education, for example) that they might not previously have been able to, even if those items are not reported as being a major remittance use.

So an alternative approach to understanding the uses to which remittances are put is to examine differences between households receiving and not receiving remittances.

As a preliminary, it is important to establish important baseline differences between households receiving and not receiving remittances in EHPM-surveyed households in the year 2002. Figure 27 demonstrates that remittance-recipient households are more likely to have two key indicators of lower socioeconomic status: illiteracy of the household head (at 28% vs. 22% of non-recipient households) and location in rural areas (40% vs. 37%).

Any set of households with such relatively unpromising basic characteristics would in most circumstances also be worse off in terms of various social outcomes. So it is all the more striking that a higher concentration of remittance-recipient households (56%) have per capita income (inclusive of remittances) above the national median; the corresponding figure for non-recipient households is 48%. Presumably, the remittances either directly or indirectly contribute

to these higher incomes.<sup>18</sup> Figure 28 shows that, in addition to having higher incomes, remittance recipients are also more likely than non-recipient households to have indoor water supply (41% vs. 38%), an indoor toilet (48% vs. 43%), and electric light (90% vs. 80%).

Child educational outcomes are also superior in remittance-recipient compared with non-recipient households. Figure 29 charts years of completed education for children of various ages in recipient (solid line) and non-recipient households (dashed line). For all ages from 9 through 21, children in recipient households have completed more years of education. Figure 30 does a similar comparison, but this time for reported child literacy rates, and finds a similar result.

It is possible that some unobserved third factor (such as household ability or entrepreneurial drive) leads both to remittance receipt (via the ability to fund migrants) and better social outcomes, so that the comparisons in Figures 28 through 30 do not reflect the causal impact of remittances. But the fact that remittance recipients have poorer basic characteristics (household head's literacy and rural status) makes this unlikely.<sup>19</sup>

## **6. Policy Recommendations**

Salvadoran government policy can and should take the overseas Salvadoran community into account. In fact, policy options related to migrants and the remittances they send are likely to be especially beneficial for poor and disadvantaged Salvadoran families, so that overseas migrants can be the foundation of a pro-poor growth strategy.

The policy recommendations that follow attempt to focus government attention on areas that cannot be addressed by the private sector, or in which the government has unique assets and capabilities nonexistent among private or non-governmental actors. Specifically, these assets are: 1) the ability to use diplomatic channels to influence US government policy, and 2) the network of Salvadoran consulates.

The most important policy priorities related to migration and remittances are those that expand the legal rights of Salvadorans overseas. The government should extend the Salvadoran presidential vote to overseas Salvadorans, and must place a high priority on lobbying the US government to maintain and expand legal work status for Salvadorans in the US. Furthermore, the government should devote self-discovery efforts (as described in Dani Rodrik's chapter) to small-scale activities. Such efforts can take advantage of the fact that overseas Salvadorans are a source of small-enterprise finance for a large number of the most disadvantaged Salvadoran households. Any new opportunity (say, a new fruit crop) is likely to spread particularly rapidly in El Salvador given the wide availability of small-scale financing via remittances. Other promising policies include encouraging overseas Salvadorans to retire in El Salvador, and facilitating overseas Salvadorans' access to financial services via the consular network.

### Work to expand the legal rights of Salvadorans overseas

1. A central objective of the Salvadoran government should be to *protect and expand the legal rights of Salvadorans overseas*. Salvadorans lacking legal work status in the US live a

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<sup>18</sup> These patterns also hold almost identically if the population is split into households reporting an overseas migrant and those without.

<sup>19</sup> Cox and Ureta (2003) make this argument in a more formal way, and show that the positive relationship between child schooling and remittances in Salvadoran households still holds when controlling for other household characteristics. In a different context, Yang (2003) shows that positive shocks to the remittances households received by Philippine households from overseas lead to increases in child schooling and declines in child labor.

precarious existence in constant fear of discovery and deportation by the authorities. Lacking the protection of labor laws, they often must abide poor and dangerous working conditions. In addition, illegal immigrants are reluctant to leave the US (due to the great difficulties of illegal re-entry), and so their ties to home deteriorate much more quickly than if they could easily move back and forth between the US and El Salvador. Maintaining and expanding the right to work for Salvadorans currently in the US under temporary status—and obtaining working rights for those who currently do not have them—should lead to improved working conditions, higher earnings, and greater tourism by overseas Salvadorans returning for visits. Remittances sent home should also rise, and which should improve living standards, raise investments in child education, and serve as insurance against unforeseen calamities in recipient households.

The government should continue to seek legal work status for Salvadoran migrants in the US via diplomacy and support of Salvadoran lobby groups. Salvadorans who entered the US illegally prior to the 2001 earthquakes have been granted Temporary Protection Status (TPS) by the US government, meaning they can temporarily work legally in the US. This status was renewed for the third (and, by law, final) time by Congress this past July for a period of 18 months. With 280,000 Salvadoran migrants having availed of TPS (and who would lose legal status after its expiration), the obvious question is whether these migrants can achieve permanent legal status afterwards in some other fashion. Currently-proposed legislation, the Central American Security Act (CASA), would provide permanent resident status for a large number of Salvadoran migrants. Lobbying for the passage of CASA (and any other measures allowing Salvadorans to work legally in the US) should be a main priority of any new government.

2. Overseas Salvadorans should be *given the right to vote* in Salvadoran presidential elections. Carey's chapter in this report discusses the political and ethical rationale for this proposal, but it could also have the side-effect of catalyzing community organizing among overseas Salvadorans and thereby strengthening migrant networks. Raising the number and quality of interpersonal linkages among overseas Salvadorans should have numerous benefits. First, such linkages should improve individual migrant employment outcomes (by spreading information about employment opportunities) and facilitate the spread of immigration information.<sup>20</sup> Moreover, stronger migrant networks would also be more likely to contribute to Salvadoran development projects via hometown associations. In addition, it should be easier to market Salvadoran products to a cohesive migrant network.

#### Take advantage of the unusual opportunity to focus self-discovery efforts on small-scale activities

There are few countries where such a high proportion of the poor have relatively easy access to a source of investment capital, in the form of remittances from overseas. Microfinance programs have been widely touted as a mechanism for allowing the poor to participate directly in growth by investing their way out of poverty. Such efforts are typically limited by difficulties in expanding access to credit to a wide segment of the population. But in El Salvador, one in five households already receives remittances from overseas, and it is likely that even more would be able to access funds from overseas if investment opportunities were available.<sup>21</sup>

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<sup>20</sup> Munshi (2003) documents the importance of networks in helping Mexican migrants in the US find work.

<sup>21</sup> In Mexico, Woodruff and Zenteno (2001) document that capital invested in a cross-section of small Mexican firms is higher when the firms' owners reside in or originate in states with higher migration rates, and argue that this additional financing comes from overseas migrants' remittances.

To take advantage of this unusual and widespread access to small-scale investment capital, *efforts at self-discovery* (as outlined in Rodrik’s chapter) *should in part be directed at activities that poor households could undertake*. The key will be to identify areas of profitable small-scale investment, to provide public goods that complement these small-scale investments, and to solve coordination problems. In most countries, self-discovery efforts focused on relatively small-scale activities would still have to solve the problem of credit access. In El Salvador, on the other hand, credit constraints are less likely to be a barrier. Any new opportunity (say, a new fruit crop) is likely to spread particularly rapidly in El Salvador given the wide availability of small-scale financing via remittances.

#### Encourage Salvadorans overseas to retire in El Salvador

While BASIS data currently suggests that migrant returns to El Salvador are rare, the aging of the migrant population may lead some migrants to choose to retire in El Salvador. Some fraction will be eligible for U.S. Social Security retirement benefits, which do not depend on continuing legal status in the US and can be sent anywhere in the world.<sup>22</sup> This population could have high spending power and can help boost domestic consumer spending if they return for retirement. What’s more, their spending should be largely immune from domestic economic fluctuations. The government should therefore *provide incentives for overseas Salvadorans to retire in El Salvador*. Incentives could include exemptions from income taxes or import duties, or preferential access to mortgage loans for buying property in El Salvador.

#### Facilitate overseas Salvadorans’ access to financial services

##### *1. Facilitate migrants’ use of the financial system.*

Salvadorans in the US have relatively low levels of integration into the formal financial system. Raising the percentage of “banked” migrants could indirectly raise remittances sent home by raising savings rates. In addition, encouraging migrants to send remittances via banks or credit unions could make them (and remittance recipients) more likely to begin using other banking services. While the formal market for remittances to El Salvador is quite competitive (so that prices are relatively low), many migrants still use informal remittance channels, which are subject to concerns about security and fraud.

- a) The Salvadoran government’s network of 11 consulates in the US is a unique asset not replicable by non-government actors and the private sector. Its wide geographic reach and its focal standing in the community puts it in a unique position to promote migrants’ use of the banking system. Salvadoran consulates can facilitate migrants’ entry into the US banking system by *issuing a matricula consular (or similar identification document) and simultaneously negotiating for its acceptance* at US state and local agencies in banks. Mexican consulates have sponsored financial fairs in conjunction with major banks to demystify the formal financial system for migrants. They have also convinced several large banks to accept the Mexican *matricula consular* as a form of identification, which is popular with migrants because it does not reveal their immigration status.<sup>23</sup>
- b) Salvadoran migrants should be more likely to open bank accounts if they have access to Salvadoran banks that can cater to specifically Salvadoran concerns. The Salvadoran

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<sup>22</sup> See <http://www.ssa.gov/immigration> and <http://www.ssa.gov/pubs/10137.html>.

<sup>23</sup> See Swarns (2003) in the *New York Times*.

government should therefore *take steps to qualify Salvadoran banks to offer banking services in the US*. The US Fed conditions approval for foreign banks' entry into the US market on the quality of banking regulation in the home country. Salvadoran banks are currently not allowed to operate as banks in the US, and may only originate remittances. If Salvadoran banks were allowed to provide full banking services, they could have large impact on bringing unbanked migrants into the banking system. The government should negotiate with the US government for a program of assistance in obtaining US Federal Reserve approval of the Salvadoran banking regulatory system.

2. *Set up a guarantee fund for mortgages signed with US banks for purchases of Salvadoran real estate*. It is currently difficult for migrants to take out mortgages to purchase property in El Salvador: US banks will not approve a mortgage with Salvadoran property as collateral, and Salvadoran banks are reluctant to offer mortgages on the strength of remittance income with unverifiable stability. It is worth pursuing a current effort on the part of CASALCO (the construction industry association), the Ministry of Foreign Affairs, and PROESA to establish a fund to guarantee (to US lenders) mortgages used by migrants to purchase Salvadoran property.

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## **Appendix on Remittance Channels and Costs**

Approximately half of migrants sending remittances to rural households in 2002 used agencies such as Gigante and Urgente (see Appendix Figure 1). These are courier companies or “ethnic stores” that send remittances via money order (either direct to the recipient or to a local agent), and also handle package delivery. The next most common remittance channel was “Encomendero traveling on a regular basis,” used by 20% of senders. 8% of senders sent remittances via relatives or friends, and only 4% used bank transfers. Only a handful of senders were reported to have used Western Union, brought the remittances themselves, or used other means.

Appendix Table 1 documents the cost of sending \$300 (a common remittance amount) via various remittance channels to El Salvador and other selected Central American countries. Information for July 2003 (part A) was collected directly from service providers in Boston, Massachusetts. For comparison, some corresponding costs reported in June 2000 are provided in part B of the table.<sup>24</sup>

Western Union can presumably charge higher prices due to its extensive network of agent locations in-country. MoneyGram remittances to El Salvador are picked up at any Banco Cuscatlan branch (of which there are 80 in El Salvador) or ATM (more than 200 locations).

Vigo/IRNet is the lowest-cost provider for El Salvador, Guatemala, and Mexico, but this service has the disadvantage of not offering home delivery or a wide range of redemption outlets (remittances must be collected at a participating credit union, of which there are 26 in El Salvador). Notwithstanding its limited distribution network, remittances sent to El Salvador via this provider have grown rapidly (albeit from a low base): volume grew from \$1.3 million in 2001 to \$22 million in 2002.<sup>25</sup>

By comparison, anecdotal reports from Salvadorans living in the Boston area indicate that individual *viajeros* or *encomenderos* charge \$4 per \$100 in cash sent to El Salvador, delivered directly to a family’s doorstep. (Focus group conducted on July 21, 2003 in East Boston.)

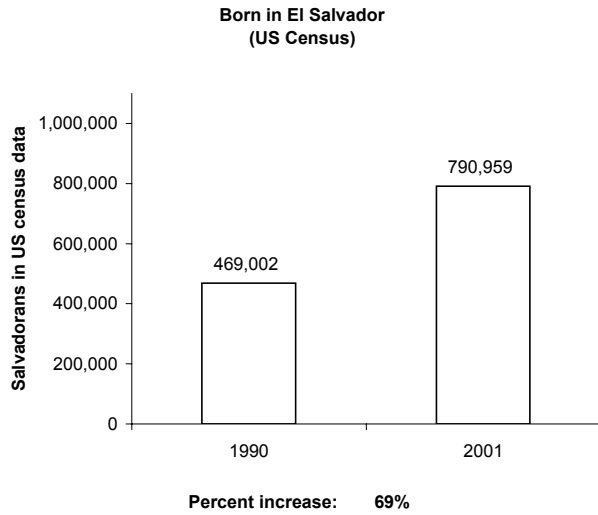
These remittance costs are somewhat lower today than historically: in 2000, Orozco (2000) reports that a \$300 remittance sent via MoneyGram to El Salvador or Guatemala cost \$25, while one to Mexico cost \$20. Western Union remittances of \$300 to El Salvador and Guatemala cost the same as in 2003, but a Mexican remittance of that amount cost \$27.

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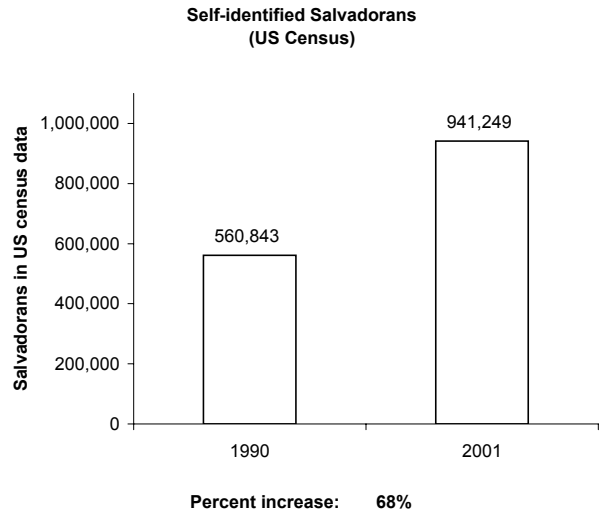
<sup>24</sup> The source for June 2000 information is Orozco (2000).

<sup>25</sup> Figures from interview with Bertha Silvia Mena de Moran, Gerente de Negocios y Administracion, FEDECACES (league of credit unions in El Salvador).

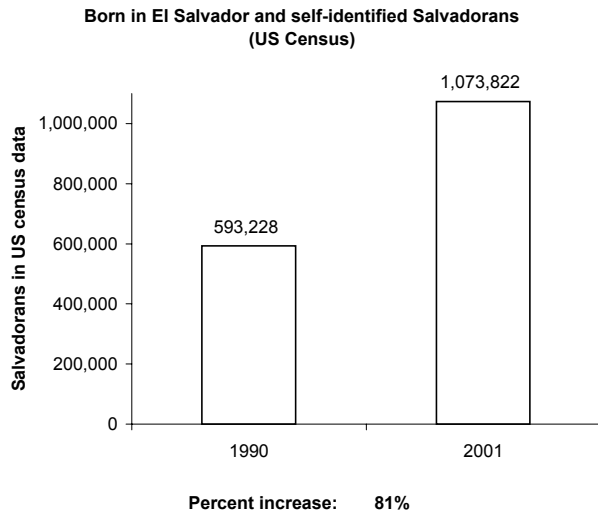
**Figure 1: Changes in number of Salvadorans in the US, by definition and data source**



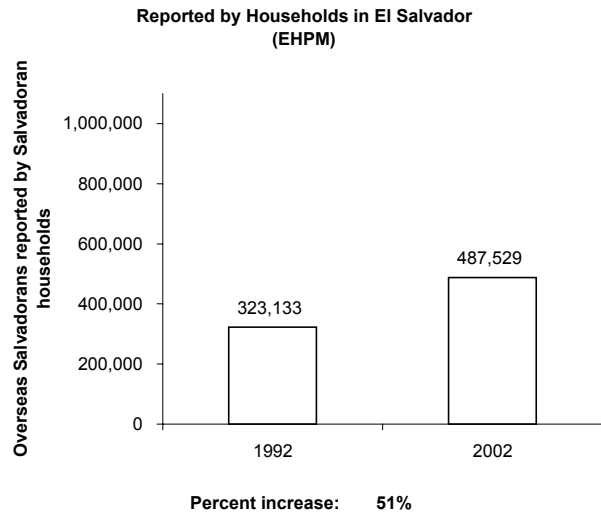
Source: Year 2001 round of U.S. government's Census 2000 Supplementary Survey (C2SS), and 1990 U.S. Census (IPUMS 1% sample).  
 Note: Totals inferred using survey sample weights.



Source: Year 2001 round of U.S. government's Census 2000 Supplementary Survey (C2SS), and 1990 U.S. Census (IPUMS 1% sample).  
 Note: Self-identification as Salvadoran is from question on detailed Hispanic origin. Totals inferred using survey sample weights.



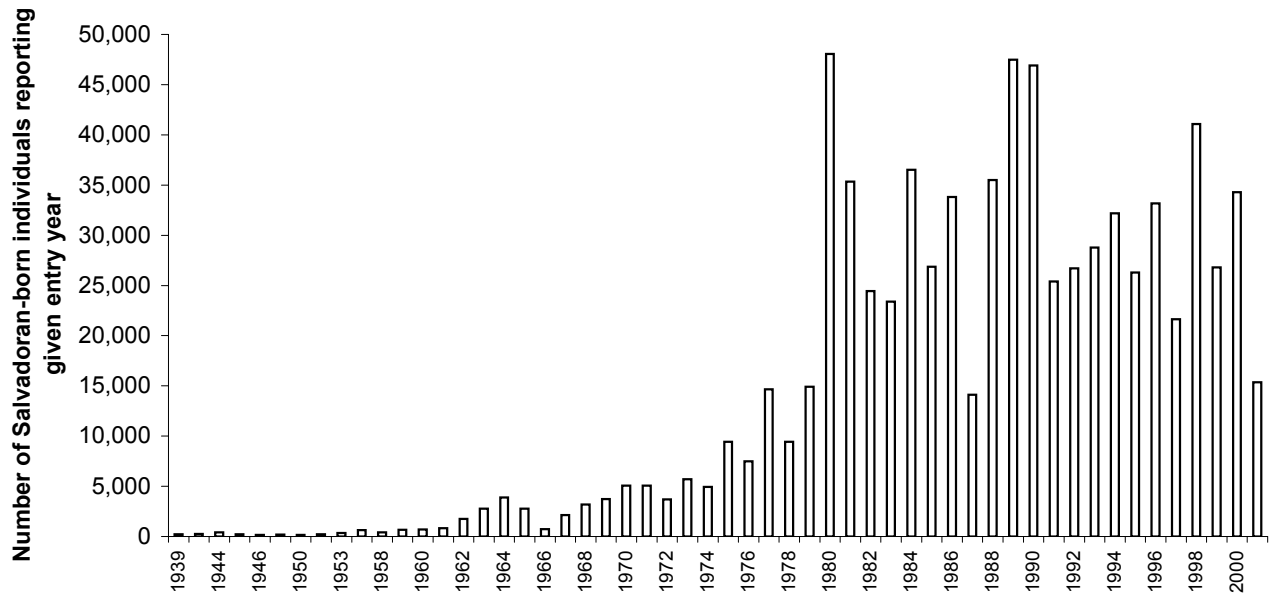
Source: Year 2001 round of U.S. government's Census 2000 Supplementary Survey (C2SS), and 1990 U.S. Census (IPUMS 1% sample).  
 Note: Totals include both individuals who self-identify as Salvadoran in question on detailed Hispanic origin and individuals born in El Salvador. Totals inferred using survey sample weights.



Source: Encuesta de Hogares Propósitos Múltiples (EHPM), 1992 and 2002.  
 Note: Uses question, "Actualmente algún miembro de este hogar reside en extranjero? Cuantos?". Totals inferred using survey sample weights.



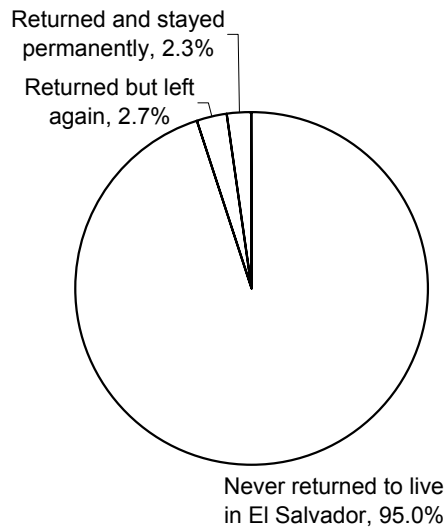
**Figure 2: Year of entry of Salvadoran-born individuals in the United States, 2001**



Source: Year 2001 round of U.S. government's Census 2000 Supplementary Survey (C2SS).

Note: Data only includes Salvadoran-born individuals, totaling 790,959. Totals inferred using survey sample weights.

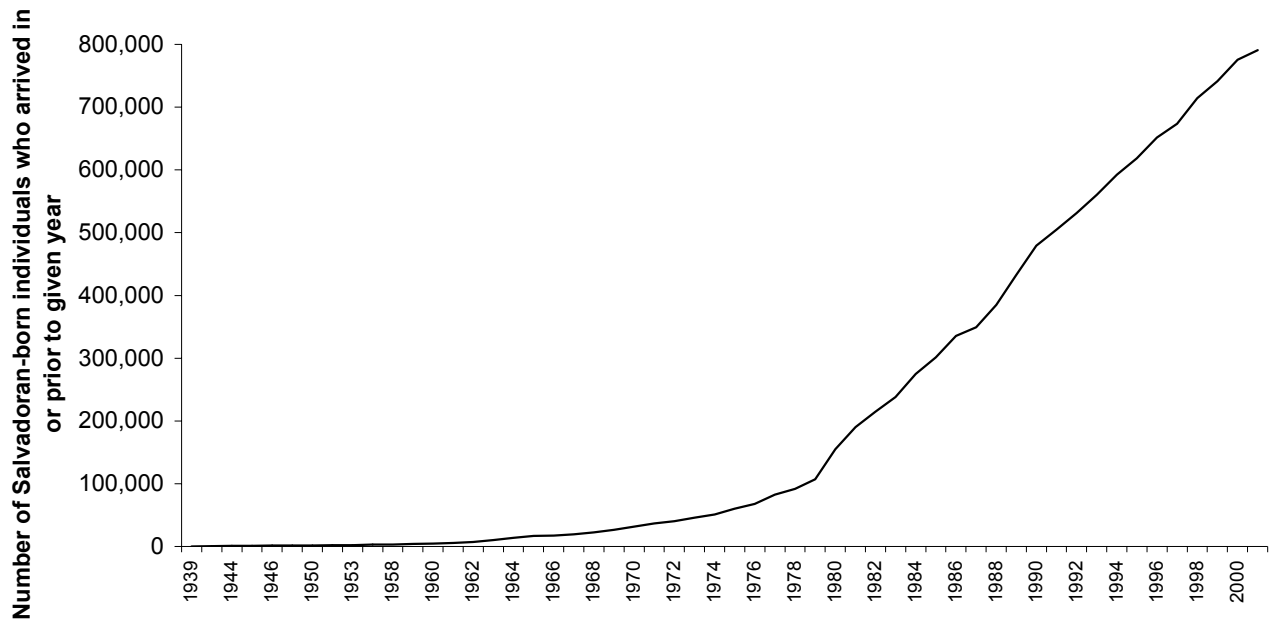
**Figure 3: Return status of rural individuals who ever migrated  
Year 2002**



Source: BASIS El Salvador Rural Household Survey, year 2000.

Notes: Sample includes all 483 overseas migrants (returned and non-returned) reported by 696 rural households.

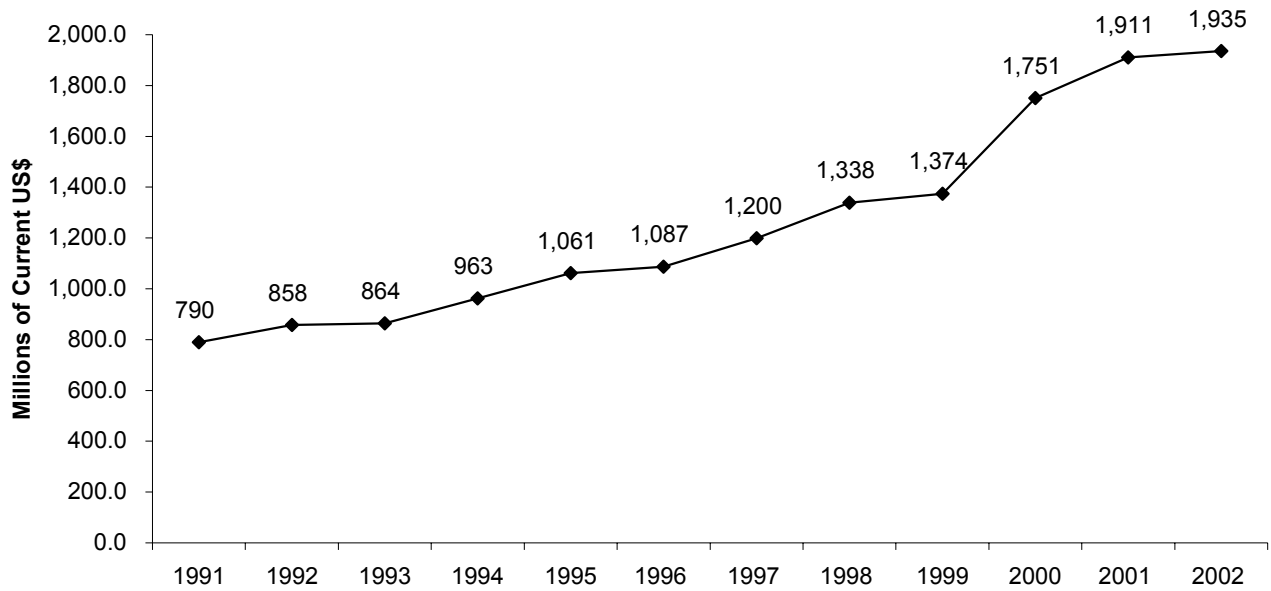
Figure 4: Number of Salvadoran-born individuals who arrived in or prior to given year



Source: Year 2001 round of U.S. government's Census 2000 Supplementary Survey (C2SS).

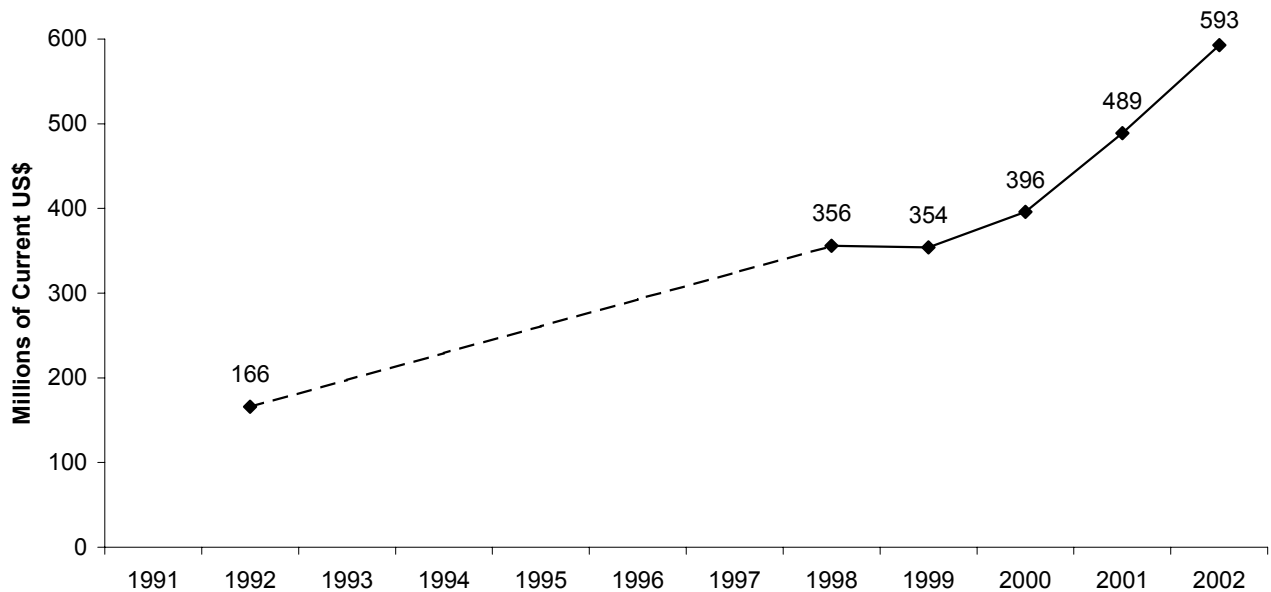
Note: Data only includes Salvadoran-born individuals, totaling 790,959. Totals inferred using survey sample weights.

**Figure 5: Aggregate remittance inflows to El Salvador (BCR data, 1991-2002)**



Source: Banco Central de Reserva de El Salvador

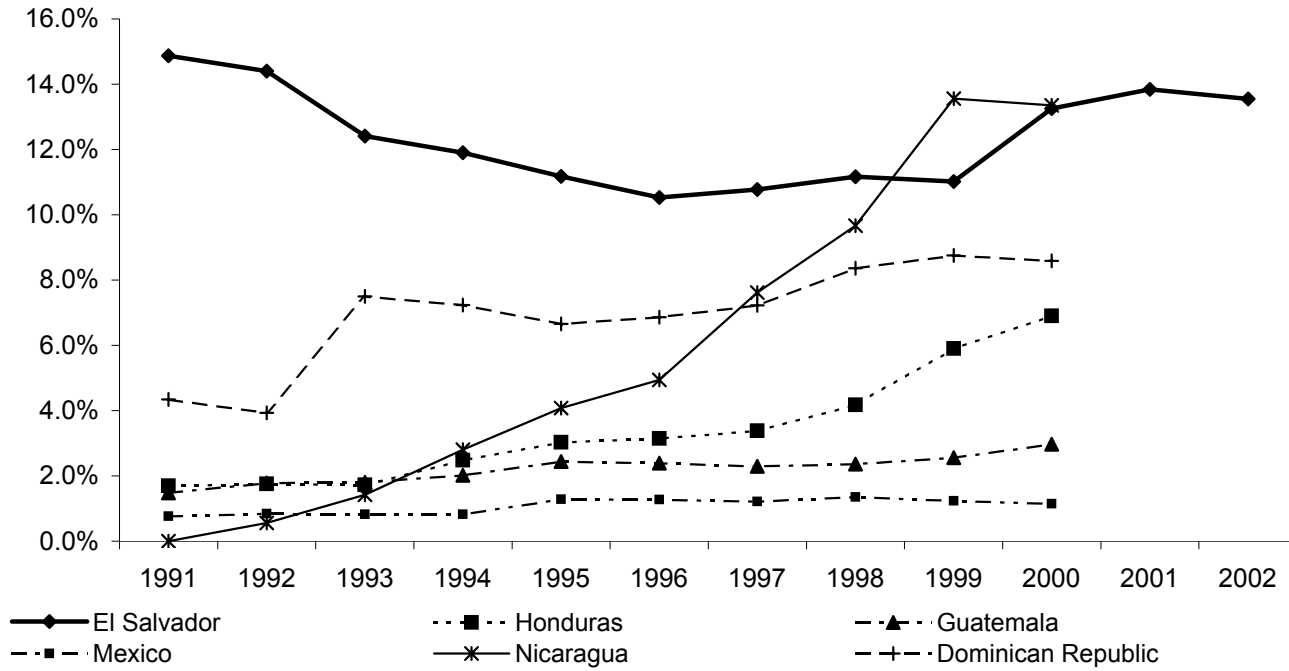
**Figure 6: Aggregate remittance inflows to El Salvador (EHPM data, 1992-2002)**



Source: Various years of Encuesta de Hogares Propósitos Múltiples (EHPM).

Note: Only 1992 and 1998-2002 rounds of EHPM used in graph. Dotted line for 1993-1997 is linear trend between 1992 and 1998.

**Figure 7: Remittances as % of GDP for Selected Countries**



**Remittances as % of GDP for Selected Countries (data table)**

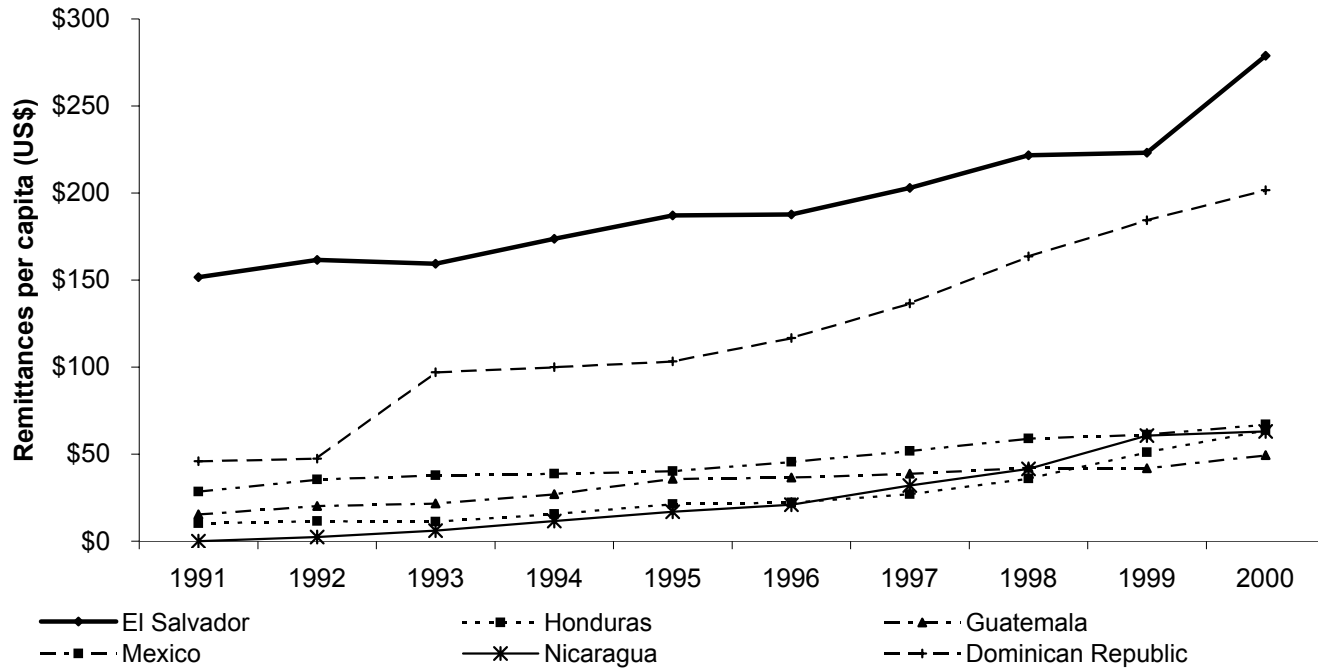
Year	El Salvador	Honduras	Guatemala	Mexico	Nicaragua	Dominican Republic
1991	14.9%	1.7%	1.5%	0.8%	0.0%	4.3%
1992	14.4%	1.8%	1.8%	0.8%	0.6%	3.9%
1993	12.4%	1.7%	1.8%	0.8%	1.4%	7.5%
1994	11.9%	2.5%	2.0%	0.8%	2.8%	7.2%
1995	11.2%	3.0%	2.4%	1.3%	4.1%	6.7%
1996	10.5%	3.1%	2.4%	1.3%	4.9%	6.9%
1997	10.8%	3.4%	2.3%	1.2%	7.6%	7.2%
1998	11.2%	4.2%	2.4%	1.4%	9.7%	8.4%
1999	11.0%	5.9%	2.6%	1.2%	13.6%	8.8%
2000	13.3%	6.9%	3.0%	1.1%	13.4%	8.6%
2001	13.8%					
2002	13.5%					

Change:

1991-2000	-1.6%	5.2%	1.5%	0.4%	13.4%	4.2%
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Sources: El Salvador, Banco Central de Reserva de El Salvador; All other countries, World Development Indicators 2002

Figure 8: Remittances per capita for selected countries



Remittances per capita for selected countries (data table)

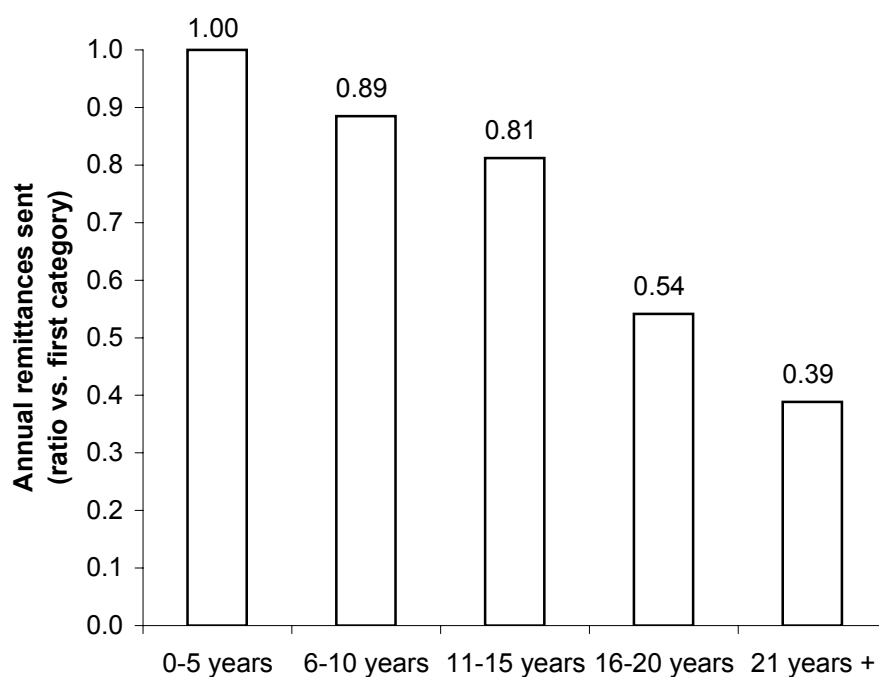
Year	El Salvador	Honduras	Guatemala	Mexico	Nicaragua	Dominican Republic
1991	\$152	\$10	\$15	\$28	\$0	\$46
1992	\$162	\$12	\$20	\$36	\$2	\$47
1993	\$159	\$11	\$22	\$38	\$6	\$97
1994	\$174	\$16	\$27	\$39	\$12	\$100
1995	\$187	\$21	\$36	\$40	\$17	\$103
1996	\$188	\$22	\$37	\$46	\$21	\$117
1997	\$203	\$27	\$39	\$52	\$32	\$137
1998	\$222	\$36	\$42	\$59	\$42	\$164
1999	\$223	\$51	\$42	\$61	\$61	\$184
2000	\$279	\$64	\$49	\$67	\$63	\$202

Change:

1991-2000	83.9%	515.6%	219.7%	135.7%		339.6%
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Sources: El Salvador, Banco Central de Reserva de El Salvador; All other countries, World Development Indicators 2002

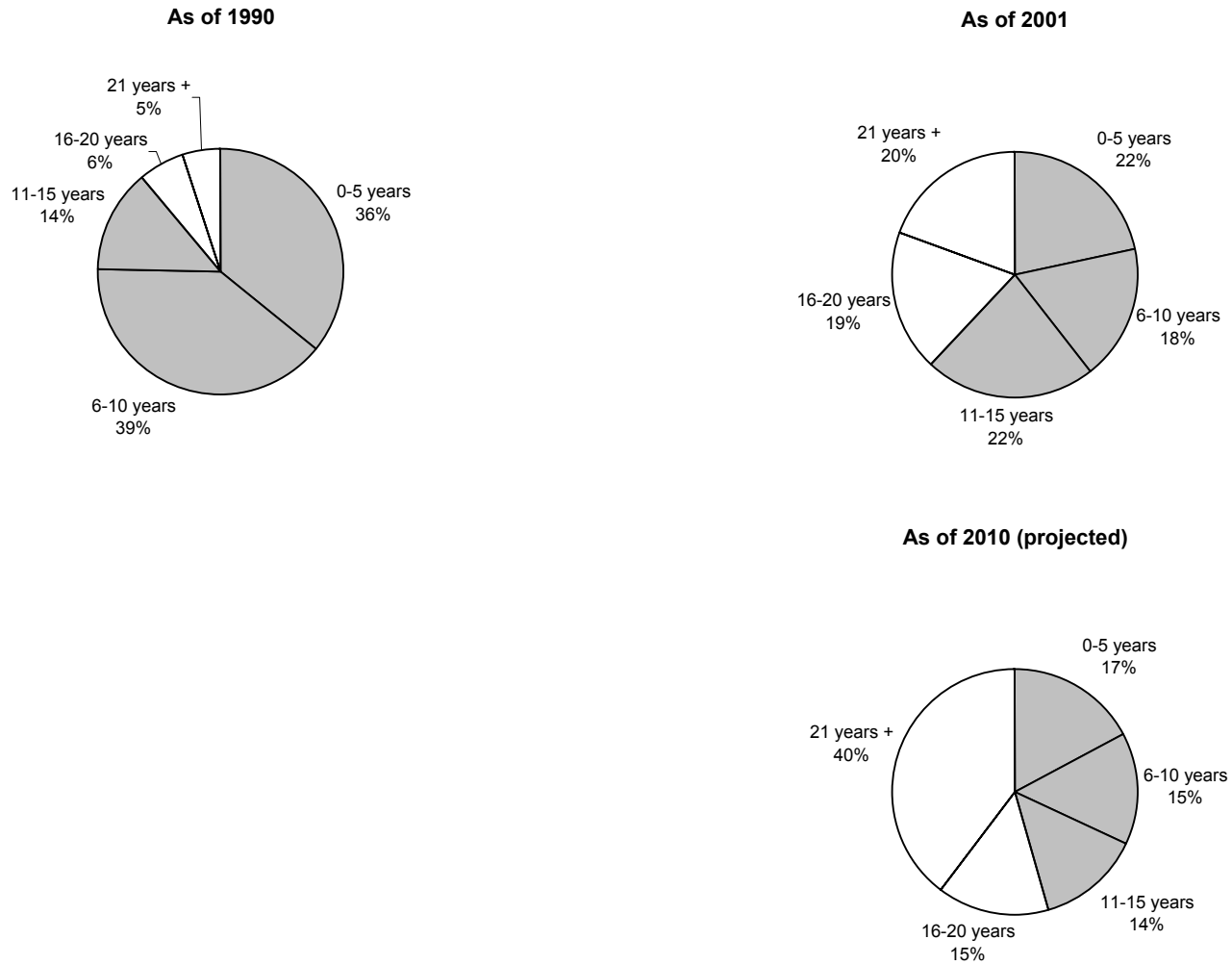
**Figure 9: Remittances by years overseas**  
(relative to those with 0-5 years overseas)



Source: BASIS El Salvador Rural Household Survey, year 2000.

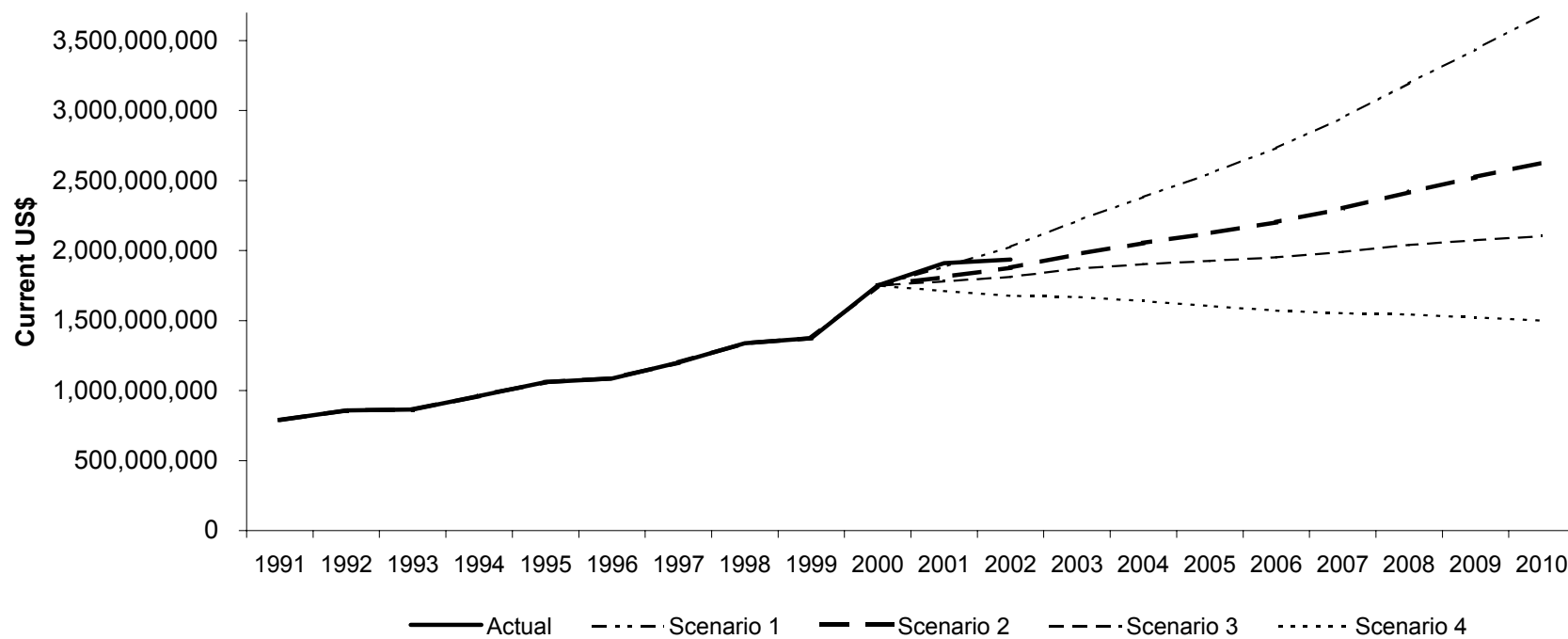
Notes: Sample includes 409 migrants with non-missing departure year, reported by 696 rural households. Remittance mean calculated from sample including non-remitters. Years overseas calculated on basis of first departure year. Mean amount sent by those with 0-5 years overseas is \$710.

**Figure 10: Years since arriving in US, for Salvadoran-born individuals in 1990 and 2001 (actual), and 2010 (projected)**



Source: Year 2001 round of U.S. government's Census 2000 Supplementary Survey (C2SS), and 1990 U.S. Census (IPUMS 1% sample).  
 Note: Data only includes Salvadoran-born individuals, totaling 469,002 in 1990, 790,959 in 2001, and projected to be 1.09 million in 2010. Totals inferred using survey sample weights.

**Figure 11: Actual and projected path of aggregate remittances to El Salvador, 1991-2010**



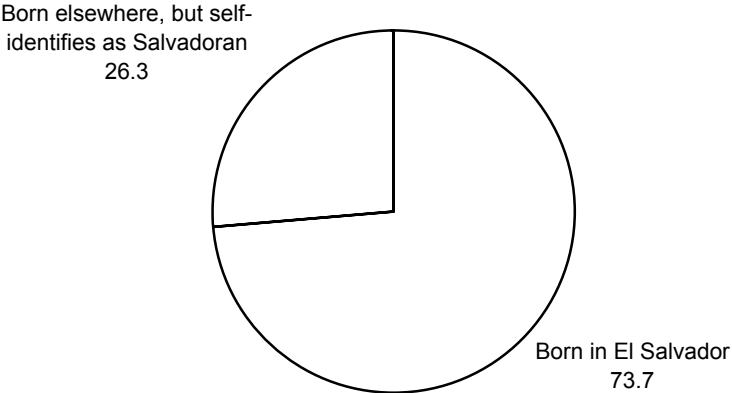
Source: Banco Central de Reserva de El Salvador for actual remittance figures.

Assumptions for projections:

<u>Scenario</u>	<u>Annual growth in number of migrants per year, 2001-2010</u>	<u>Annual % growth in remittances of migrants in each years-away category, 2001-2010</u>
1	31,203	5.77%
2	0	5.77%
3	31,203	0.00%
4	0	0.00%

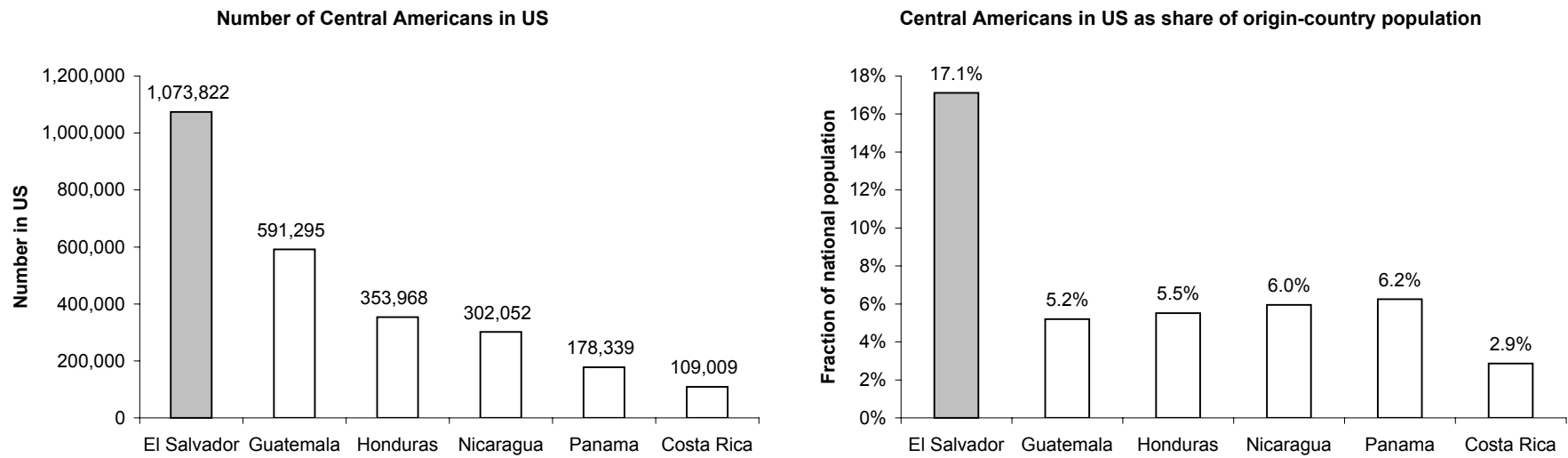


**Figure 12: Definition of Salvadorans in the US**



Source: 2001 round of US government's Census 2000 Supplementary Survey (C2SS).  
Note: Estimated number of Salvadorans in US under these criteria is 1,073,822 (using survey sample weights.)

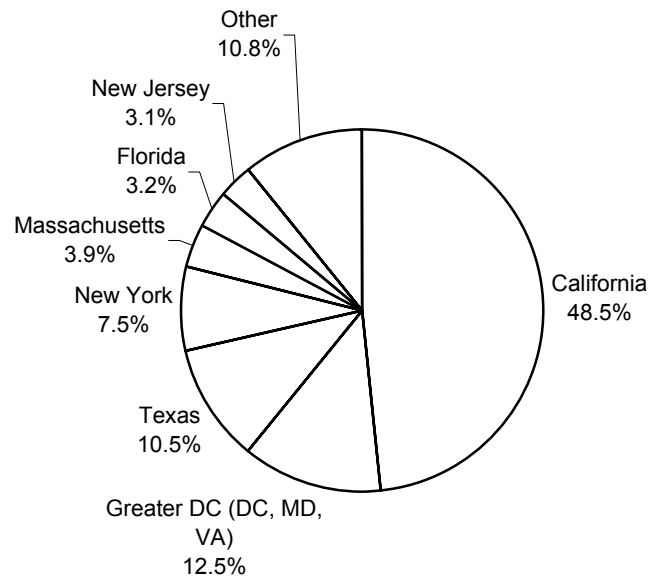
Figure 13: Central American migrants in the US (2001)



Source: 2001 round of US government's Census 2000 Supplementary Survey (C2SS).

Note: Figures calculated using survey sample weights. Definition of a migrant from a certain country is someone who was born in that country or self-identifies as being from that country in the Hispanic origin question. By comparison, estimated number of Mexicans in US under these criteria is 23 million.

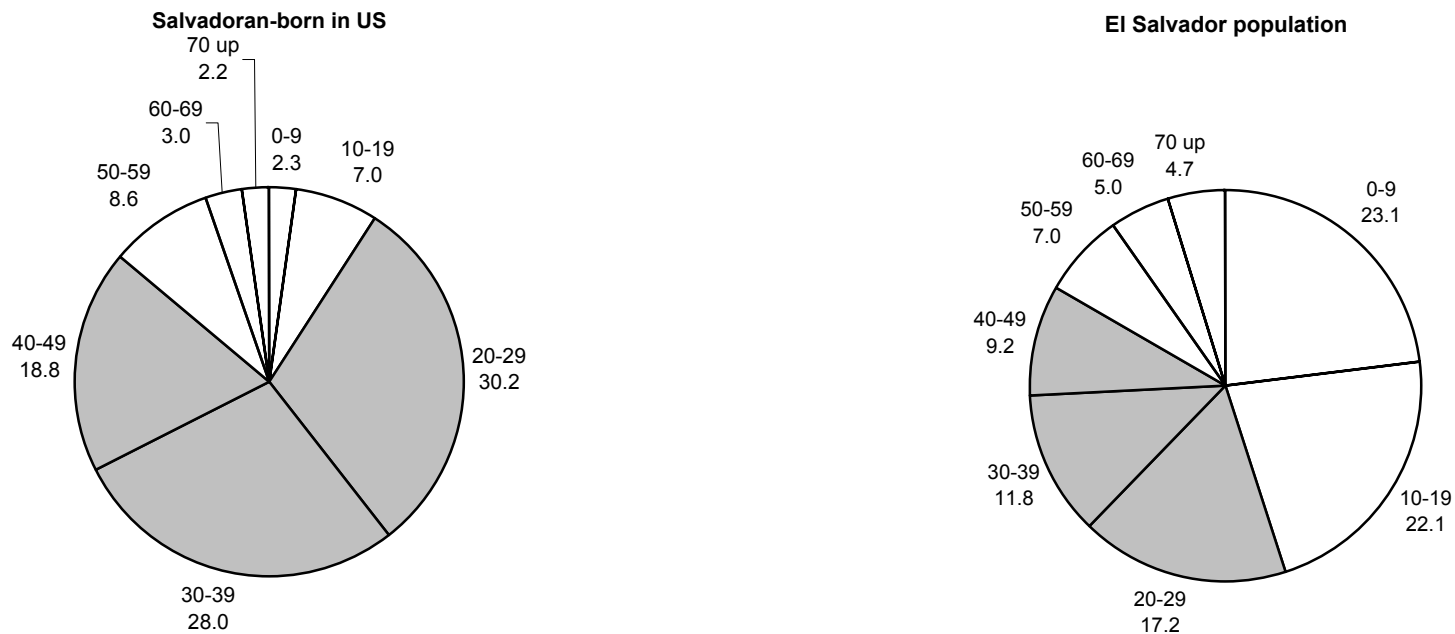
**Figure 14: Locations of Salvadorans in the US**



Source: 2001 round of US government's Census 2000 Supplementary Survey (C2SS).

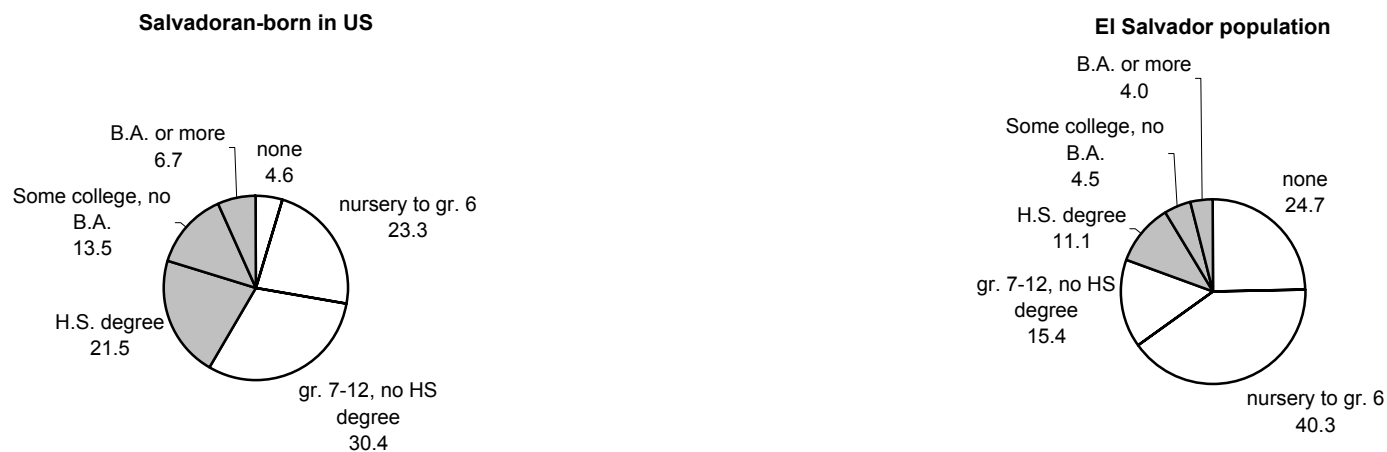
Note: Salvadorans in US are those born in El Salvador and those self-identifying as Salvadoran in Hispanic origin question.

**Figure 15: Age distribution of Salvadoran-born in US vs. El Salvador population (%)**



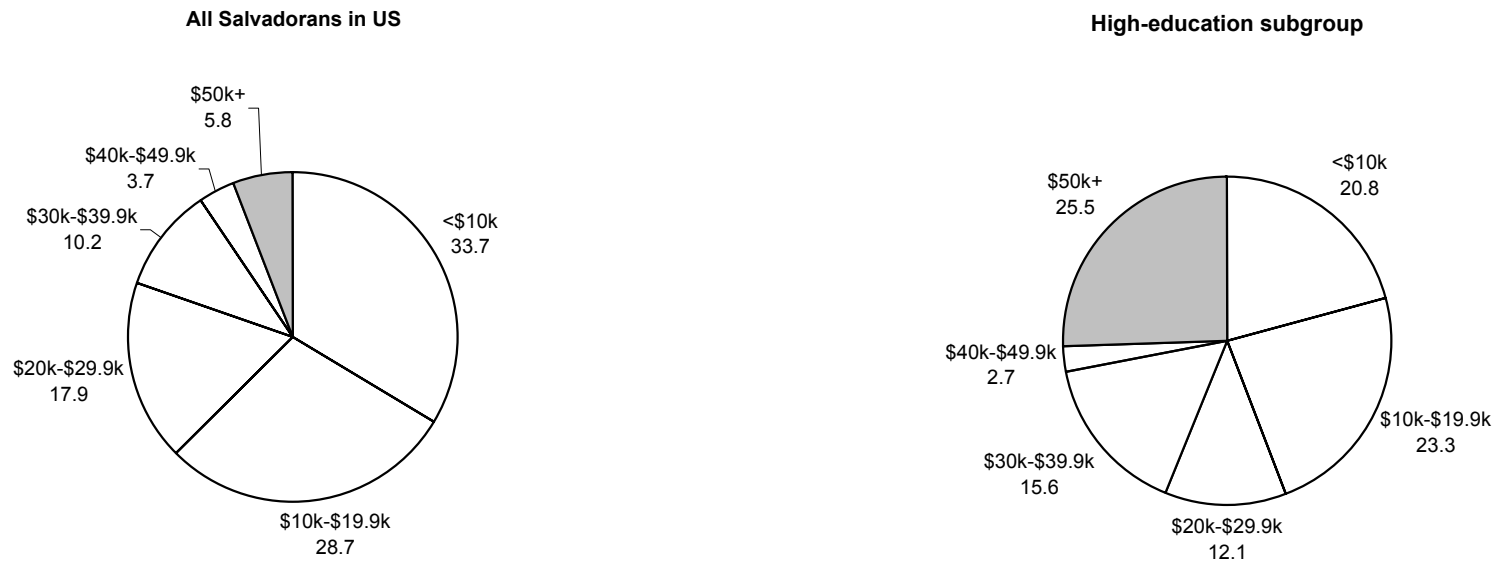
Source: 2001 round of US government's Census 2000 Supplementary Survey (C2SS) for Salvadoran-born in the US. 2001 round of Encuesta de Hogares Propósitos Múltiples (EHPM) for El Salvador population.

**Figure 16: Educational composition of those aged 25 and up, Salvadoran-born in US vs. El Salvador population (%)**



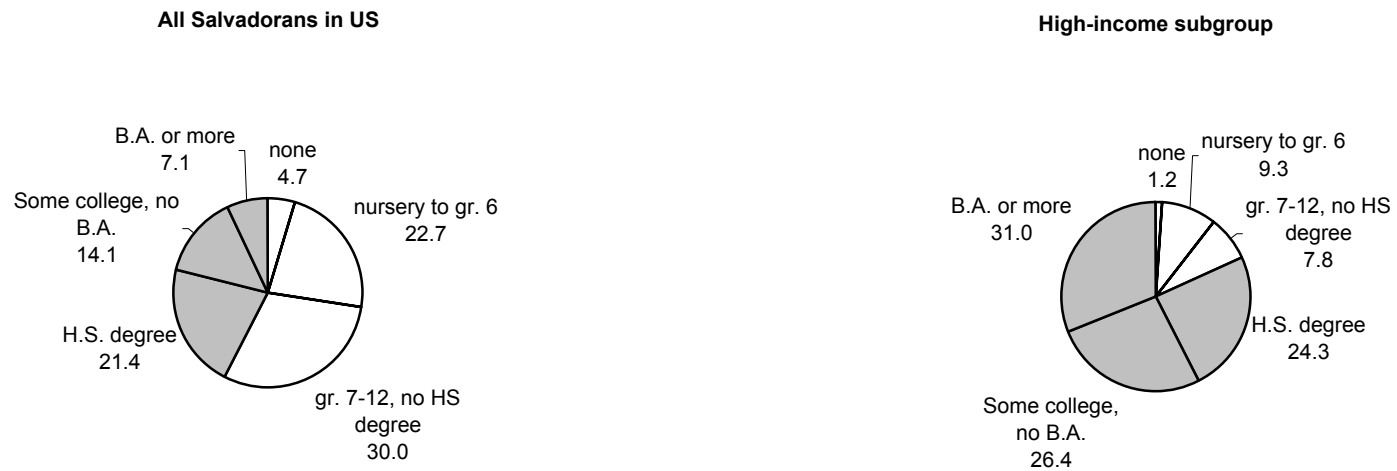
Source: 2001 round of US government's Census 2000 Supplementary Survey (C2SS) for Salvadoran-born in US. 2001 round of Encuesta de Hogares Propositos Multiples (EHPM) for El Salvador population.

Figure 17: Income distribution of Salvadorans in US (aged 25+), all Salvadorans vs. high-education subgroup (%)



Source: 2001 round of US government's Census 2000 Supplementary Survey (C2SS). Salvadorans in US are those born in El Salvador and those self-identifying as Salvadoran in Hispanic origin question. Members of high-education subgroup have B.A. or higher degree.

**Figure 18: Educational distribution of Salvadorans in US (aged 25+), all Salvadorans vs. high-income subgroup (%)**



Source: 2001 round of US government's Census 2000 Supplementary Survey (C2SS). Salvadorans in US are those born in El Salvador and those self-identifying as Salvadoran in Hispanic origin question. Members of high-income subgroup have \$50,000 or more in personal income in 2001.

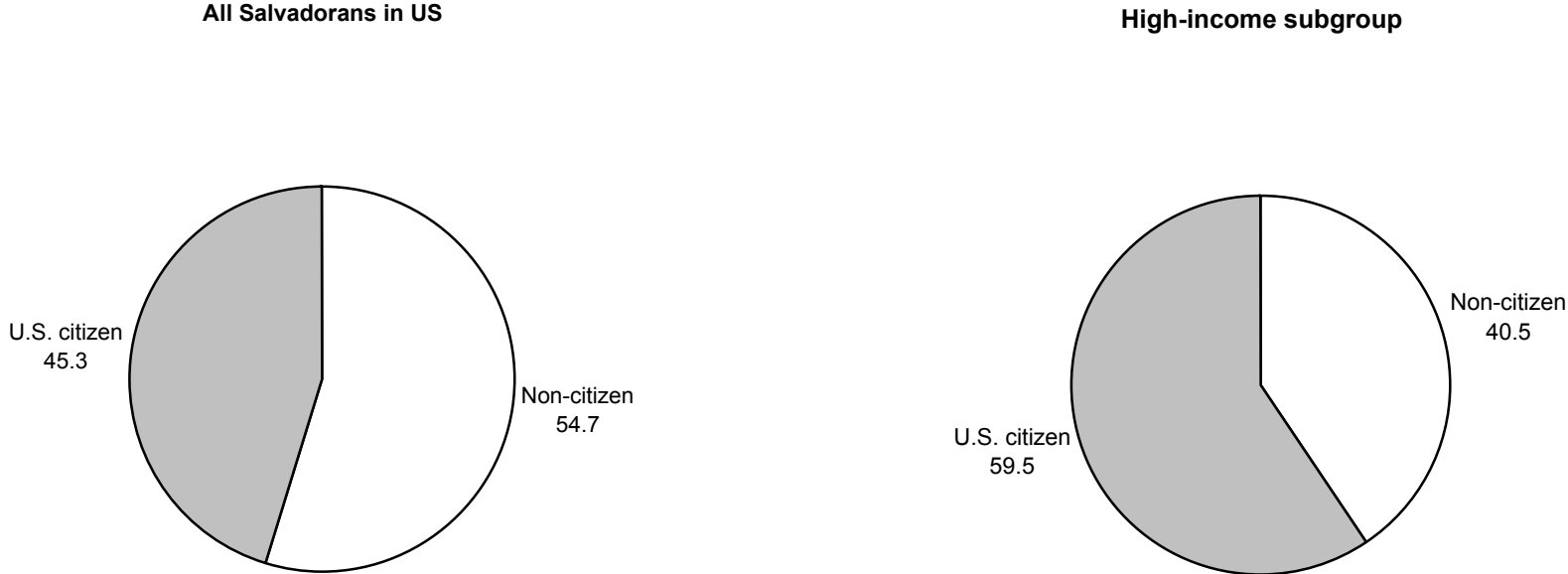
**Figure 19: Occupational distribution of Salvadorans in US (aged 25+), all Salvadorans vs. high-income subgroup (%)**



Source: 2001 round of US government's Census 2000 Supplementary Survey (C2SS). Salvadorans in US are those born in El Salvador and those self-identifying as Salvadoran in Hispanic origin question. Members of high-income subgroup have \$50,000 or more in personal income in 2001. "Prof., managerial" includes management/business operations specialists, finance, computer and math sciences, engineers, and social scientists.

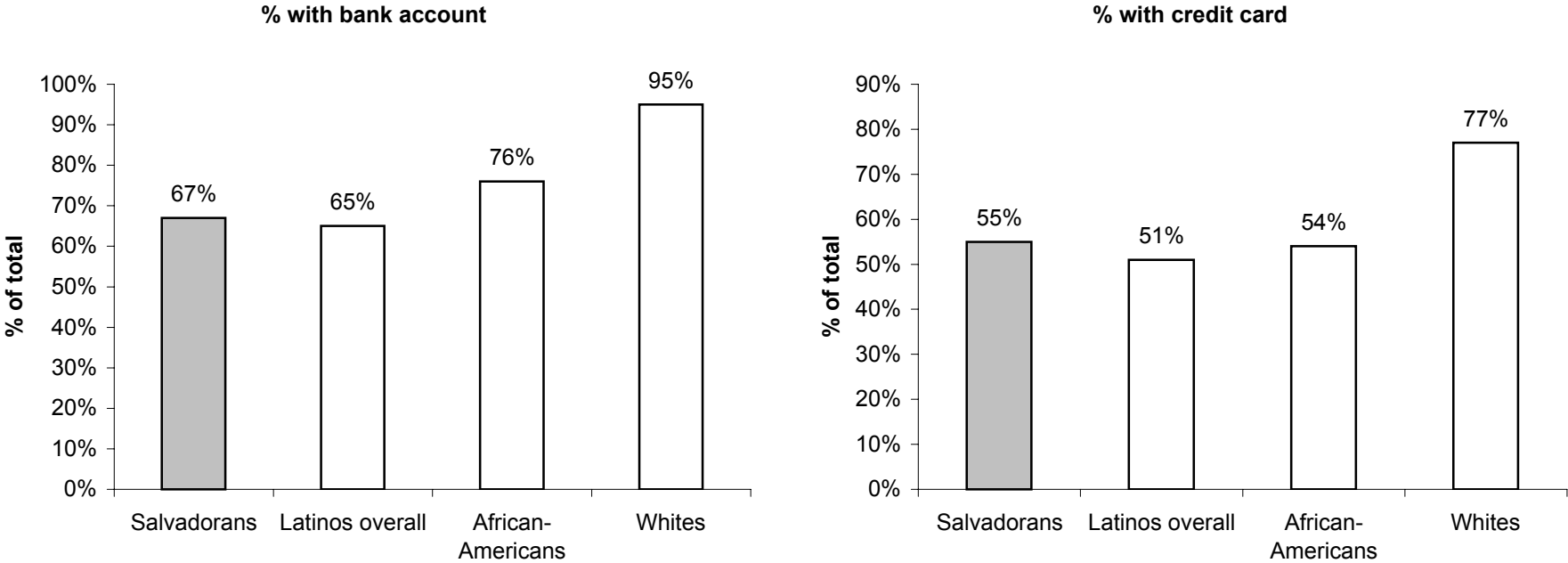


**Figure 20: Citizenship of Salvadorans in US (aged 25+), all Salvadorans vs. high-income subgroup (%)**



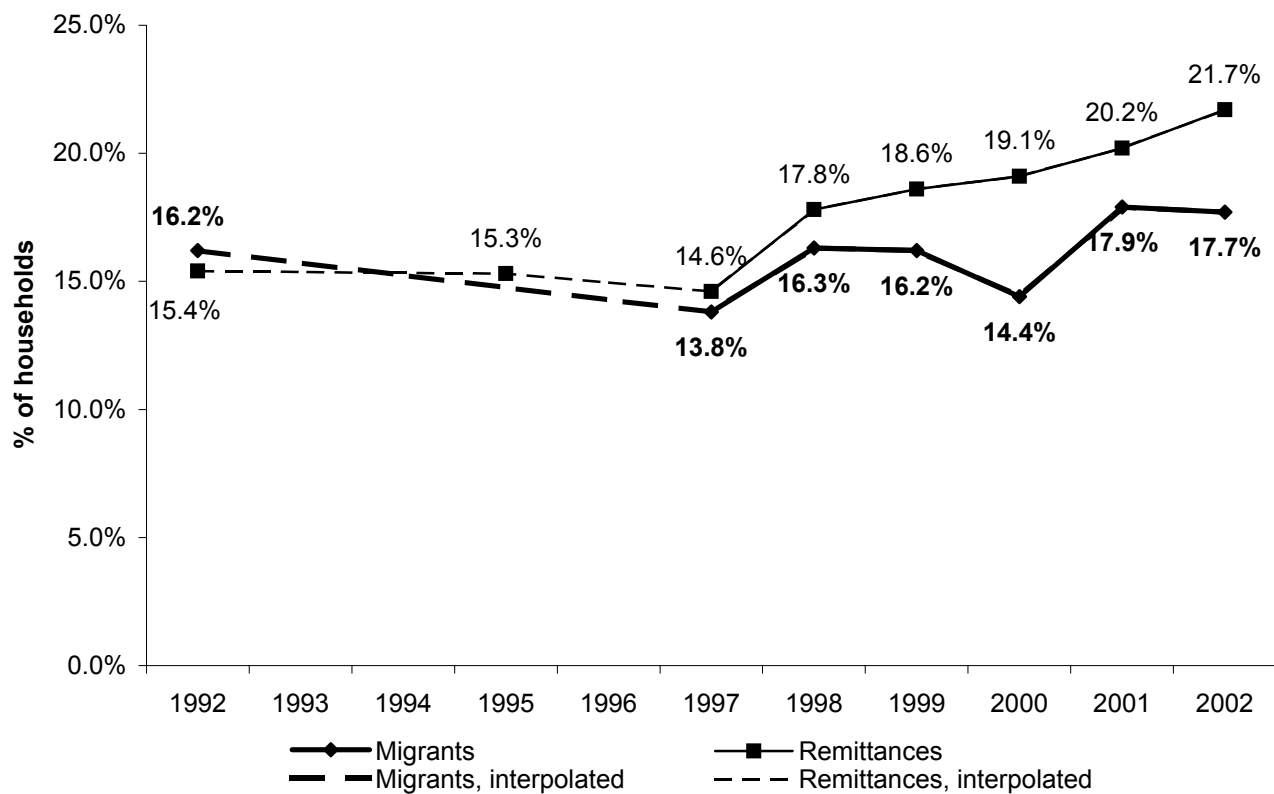
Source: 2001 round of US government's Census 2000 Supplementary Survey (C2SS). Salvadorans in US are those born in El Salvador and those self-identifying as Salvadoran in Hispanic origin question. Members of high-income subgroup have \$50,000 or more in personal income in 2001.

**Figure 21: Use of financial products by Salvadorans in US**



Source: 2001 National Survey of Latinos.

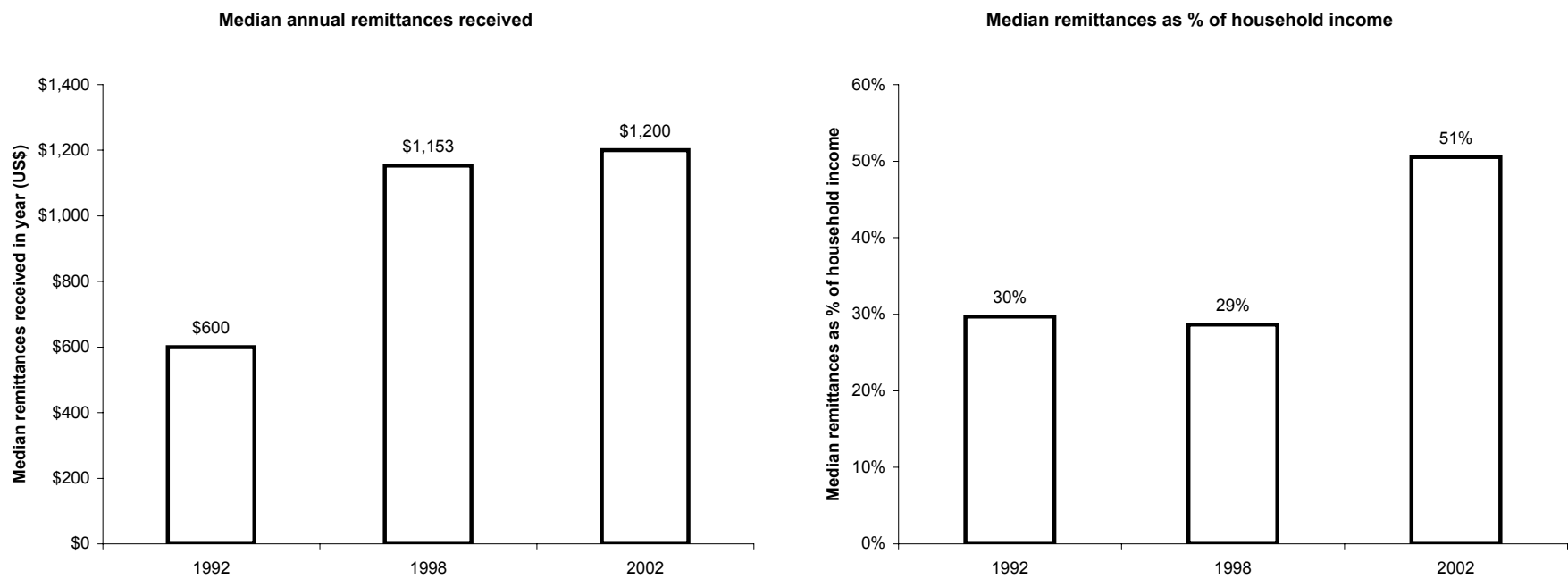
**Figure 22: Households in El Salvador Reporting Overseas Migrants and Remittances**



Source: Various years of Encuesta de Hogares Propósitos Múltiples (EHPM). Sample sizes range from 8,387 households (in 1997) to 18,516 households (in 1992).

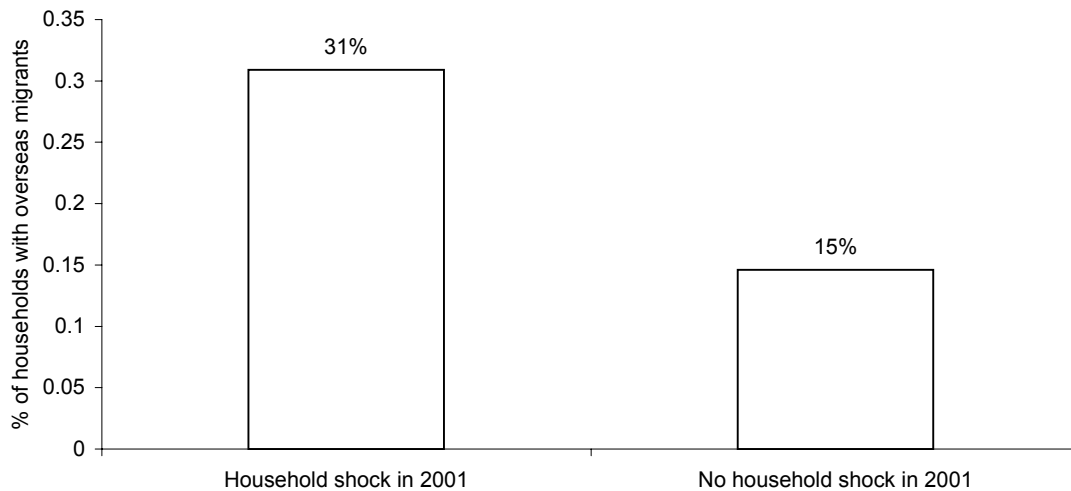
Note: Graphed line for % with migrants between 1992 and 1997 is interpolated. Graphed line for % with remittances between 1992 and 1995 and between 1995 and 1997 is interpolated.

**Figure 23: Magnitude of remittances in households receiving remittances**



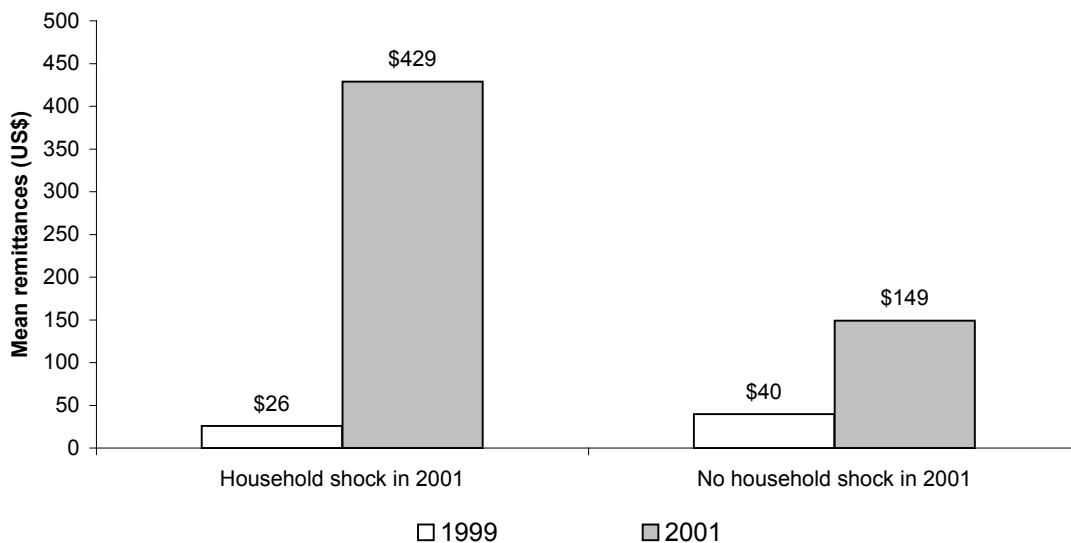
Source: Various years of Encuesta de Hogares Propósitos Múltiples (EHPM). Sample sizes range from 8,387 households (in 1997) to 18,516 households (in 1992).

**Figure 24: Coping with household shocks via overseas migration**  
**Percentage of households with migrant relatives in early 2002, by occurrence of household shock in 2001**  
**(for households with no overseas relatives in early 2000)**



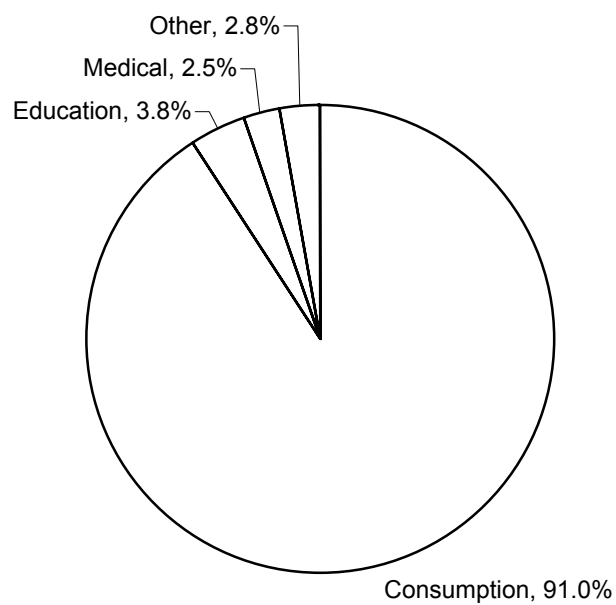
Notes: Sample includes 449 rural households observed in 2000 and 2002 rounds of BASIS El Salvador Rural Household Survey that reported having no migrant relatives in early 2001. "Household shock in 2001" means household experienced a death, major medical expenses, or a job loss in 2001 (12% of households).

**Figure 25: Remittances as insurance against household shocks**  
**Impact of household shocks (death, medical expenses, or job loss) on remittances**  
**(for households with no overseas relatives in early 2000)**



Notes: Sample includes 449 rural households observed in 2000 and 2002 rounds of BASIS El Salvador Rural Household Survey that reported having no migrant relatives in early 2001. Total annual remittances received by household are in current US dollars. "Household shock in 2001" means household experienced a death, major medical expenses, or a job loss in 2001 (12% of households).

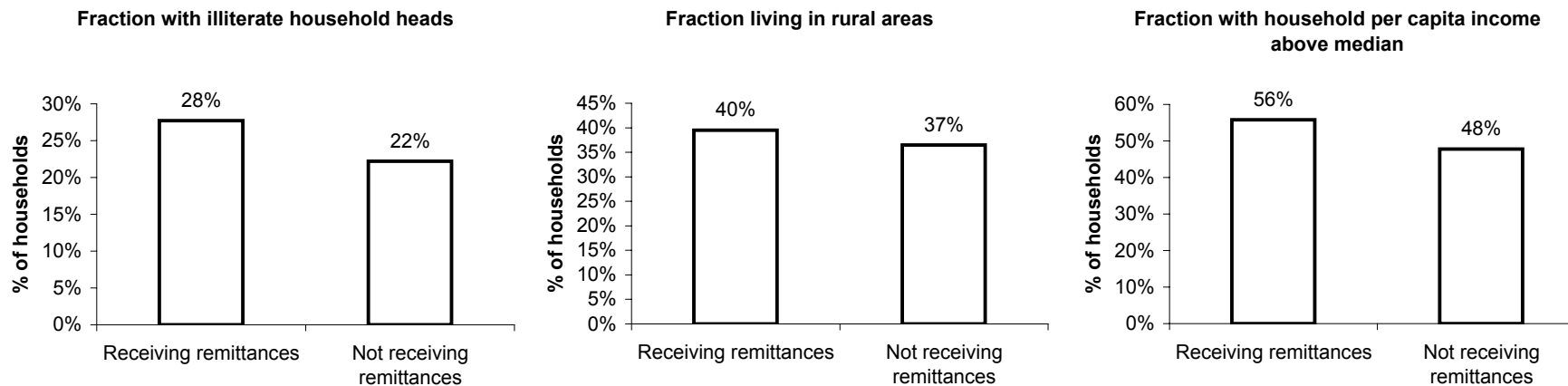
**Figure 26: Breakdown of remittance uses by households  
Year 2002**



Source: 2002 round of Encuesta de Hogares Propósitos Múltiples (EHPM).

Note: Figure presents mean percentage of remittances spent on various uses, across remittance-recipient households.

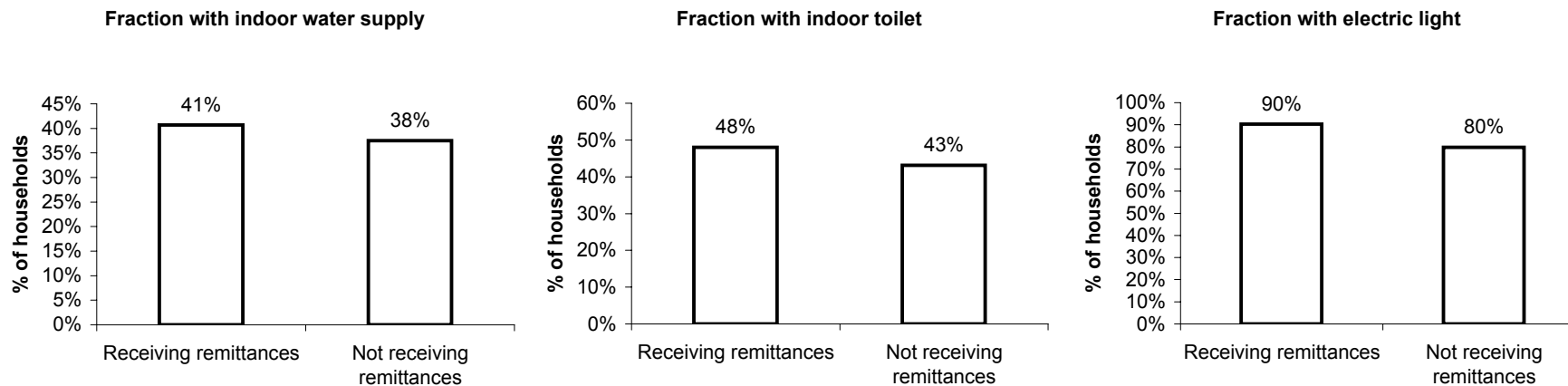
Figure 27: Characteristics of households by remittance receipt, year 2002



Source: 2002 round of Encuesta de Hogares Propósitos Múltiples (EHPM).

Note: Household income includes remittances.

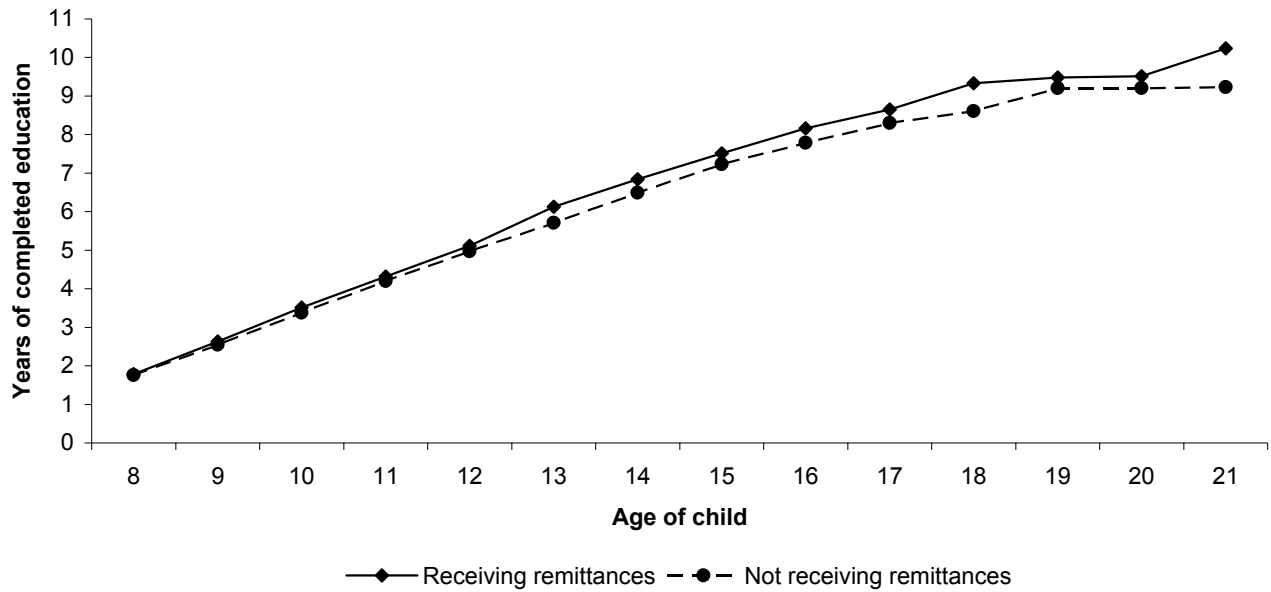
Figure 28: Household living conditions by remittance receipt



Source: Various years of Encuesta de Hogares Propósitos Múltiples (EHPM). Sample sizes range from 8,387 households (in 1997) to 18,516 households (in 1992).

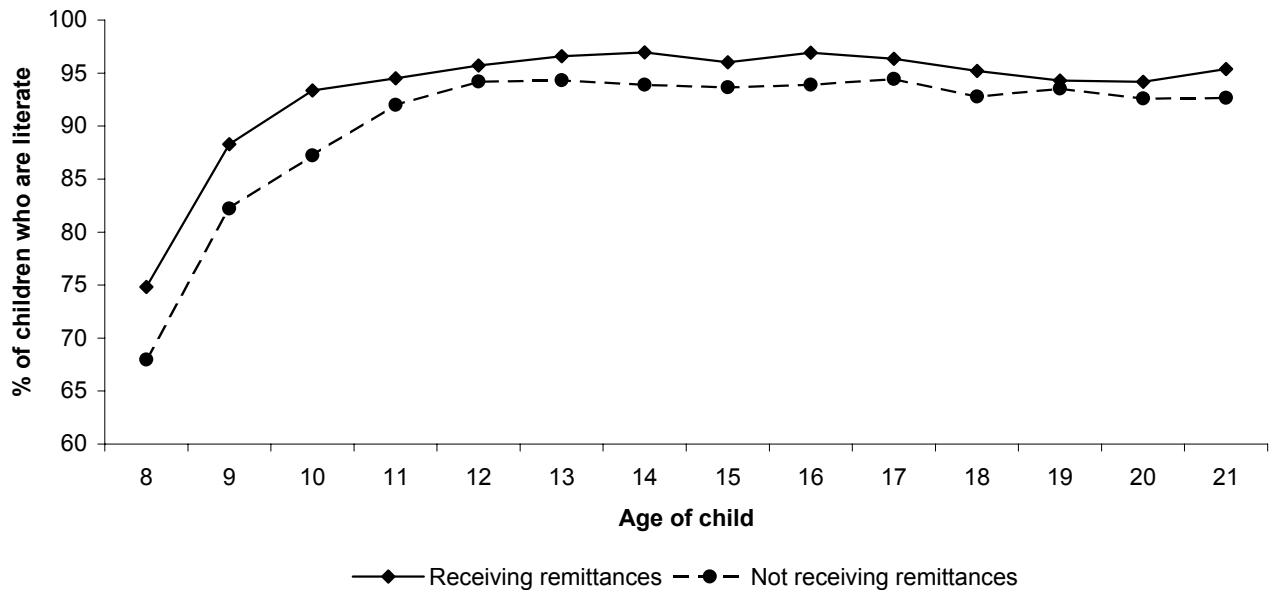


**Figure 29: Completed years of education by age, for remittance recipient and non-recipient households  
Year 2002**



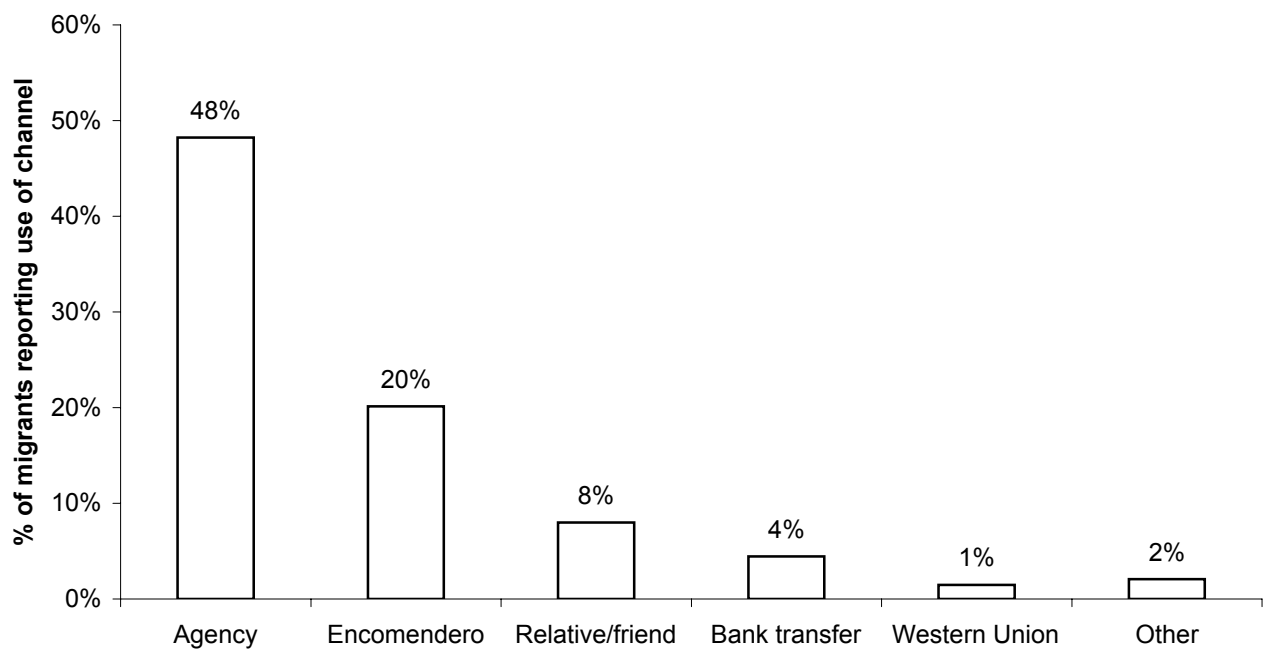
Source: Encuesta de Hogares Propósitos Múltiples (EHPM), 2002.

**Figure 30: Literacy rate by age, for remittance recipient and non-recipient households  
Year 2002**



Source: Encuesta de Hogares Propósitos Múltiples (EHPM), 2002.

**Appendix Figure 1: Remittance channels used by overseas migrants  
Year 2000**



Source: BASIS El Salvador Rural Household Survey, year 2000.

Notes: Sample includes 338 migrants from 696 rural households. Agency includes Gigante, Urgente, etc. Bank transfer includes Banco Agricola, Banco Cuscatlan, etc. Migrants can use more than one channel simultaneously. Some migrants do not report channel used.

**Appendix Table 1: Cost of Sending Remittances, June 2000 vs. July 2003**

(Based on sending \$300)

**A. July 2003**

<u>Remittance destination</u>	<u>Remittance provider</u>			
	<u>Western Union</u>	<u>MoneyGram</u>	<u>Vigo/IRNet</u>	<u>Gigante Express</u>
El Salvador	\$29	\$13	\$10	\$16 / \$12
Guatemala	\$29	\$13	\$10	\$16 / \$12
Mexico	\$14.99	\$15	\$10	--
Honduras	\$29	\$13	\$30	\$16 / \$12
Nicaragua	\$29	--	\$25	\$16 / \$12

**B. June 2000**

<u>Remittance destination</u>	<u>Remittance provider</u>	
	<u>Western Union</u>	<u>MoneyGram</u>
El Salvador	\$29	\$25
Guatemala	\$29	\$25
Mexico	\$27	\$20

**Notes:**

July 2003 information gathered from remittance providers in Boston, Massachusetts.

Western Union: The company charges exchange rate fee to countries that are not dollarized.

That fee is below the inter-bank rate and Western Union keeps any spread. Source:

www.westernunion.com. MoneyGram: Does not charge extra for home delivery in the greater

San Salvador area. In all other departments, there is no home delivery; only to the agency

usually located in the department cabecera. Source: Rodriguez Express (617) 569-9009.

Vigo/IRNet: Does not provide home delivery; recipient must pick up remittance at nearest

participating credit union. Source: Vigo Remittance, (617) 568-9191. Gigante Express:

charges \$16 for delivery directly to recipient, and \$12 for delivery to local agency (for pickup

by recipient). Source: Boston agency, (617) 567-9118.

June 2000 information reported in Manuel Orozco, "Remittances and Markets: New Players and Practices," Inter-American Dialogue and Tomas Rivera Policy Institute, June 2000.