



UNITED NATIONS  
DEPARTMENT OF ECONOMIC AND SOCIAL AFFAIRS  
STATISTICS DIVISION

**Meeting of the Technical Subgroup on  
Movement of Natural Persons – Mode 4  
Paris, 31 January -1 February 2005**

**MEASURING MIGRANT REMITTANCES:  
FROM THE PERSPECTIVE OF THE EUROPEAN COMMISSION**

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## **1. Introduction**

International migration has become a significant global phenomenon as people have become more mobile. Some 3 percent of the world's population are counted as migrants (Harrison, 2004), the true figures may be even higher. Migrant remittances, recorded at US\$93 billion for 2003 (Ratha, 2004) and estimated at US\$200 to US\$300 billion a year (Migrant Remittances, 2004), have accompanied the evolution of migratory flows. The remittance flows are second only to foreign direct investment and are significantly larger than official development assistance.

The sheer volume of remittance transfers has captured the attention of policy makers, donors and others international organisations, even though research, understanding and information on remittances has to date largely been developed in an ad hoc manner.

Recent initiatives in the area of workers' remittances are not only restricted to analysis of the role of remittances in the development process. They also try to establish a conceptual framework and provide guidance on collecting relevant statistical information. The most important current initiatives are:

### ***Inter-Agency Remittance Task Force:***

The World Bank and the Department for International Development (DFID) are co-chairs of this task force. The main themes are:

- Establishing core principles for remittance transfer (guidelines for regulators and governments, standards for service, costs, and access for banks and money transfer companies, legal underpinnings),
- Coordinating, collecting remittances data (standards for collecting data),
- Dissemination of information on remittances.

### ***G8 Action plan:***

The G8 leaders at the 2004 Sea Island Summit committed to intensify work on migrant workers' remittances, including the improvement of data, making transfer of funds cheaper and more secure and enhancing their development impact. The paucity of accurate and internationally comparable data on remittances flows was one of the dominant themes that emerged from the preparations to the summit. The intention is to create a statistical working group under the leadership of World Bank with the goal of designing a single international framework for collecting data on remittances.

### ***Technical Subgroup (TSG) on the Movement of Natural Persons – Mode 4:***

It was established by the United Nations Statistical Commission in 2004 with the objectives of:

- Developing a conceptual framework for the measurement of the Movement of Natural Persons and , in particular of GATS mode 4,
- Developing indicators/variables which provide a measure of the impact of the movement of natural persons in the host and home countries; and
- Preparing data collection guidelines
- To expand the statistical framework to incorporate the measurement of remittances.

## 2. EU Survey on workers' remittances

In order to enhance the knowledge-base about the workers' remittances from the European Union (EU) the European Commission conducted in March/April 2004 an ad-hoc survey of Member States (European Commission, 2004). The questionnaire was designed to gather information from EU Member States about:

- importance of workers' remittances from the EU,
- amounts of money involved,
- the countries of non-resident counterparties,
- main transfer channels in use,
- the transfer costs, and
- regulatory conditions.

Most Member States provided overall amounts and estimated the share of remittances sent to developing countries. However, most of them mentioned serious reservations to the quality of data provided. They stressed factors likely to result in an underestimation of remittances (unaccounted remittances channelled through the underground economy, or remittances inappropriately recorded e.g. as tourists' expenditure). The overall figure of some €17 billion flowing from 11 member states in 2003 should therefore be interpreted as a lower boundary estimate.

Non-EU foreigners account for around 4.5% of the population in the EU, markedly less than the share in Australia, Canada or the United States. The study showed that the geographical breakdown of remittances, reported by some countries strongly reflects the main origins of their immigrants. So, the highest share of remittances originating from Germany and the Netherlands go to Turkey, while from Belgium and France predominantly to the Maghreb countries and those from Portugal and Spain to Latin America.

Most Member States compile data on workers' remittances in their balance of payments statistics in line with the IMF Manual. The countries report to Eurostat (the statistical office of the European Union) for a selected number of groups of countries, including World, intra-EU, extra-EU, Canada, Japan, US and EFTA. No data are systematically reported with regards to remittance flows to developing countries. A detailed geographical breakdown of remittance flows to third countries, including developing countries, is only available for a minority of Member States.

In most countries a minimum threshold for remittances exists - typically at €12.500 - below which individual transactions are not recorded. In some countries, estimates are entered in the balance of payments statistics to cover transfers below the threshold. In other countries flows below the threshold tend to be ignored.

The study revealed that there are five main categories of transfer channels used for sending remittances across borders: (1) banks; (2) non-bank money transfer operators; (3) post offices; (4) cash and commodities carries; and (5) informal money transfer services. The use of banks and large non-bank money transfer operators clearly dominates the market in those Member States for which information is available. In addition to traditional cross-border cash and commodities transport, i.e. hand-carrying or through courier services, prepaid payment cards are emerging as a potentially new vehicle to conduct cross-border money transfers.

Detailed information about the relative market shares of the different categories of remittances transfer providers is available only for a very limited set of Member States and differs strongly for different migrant groups. In a rough estimate for the EU, based on the limited information available, about two thirds of remittances appear to be channelled either through the banking system or through large registered non-bank money transmitters. The other third is made up of other channels, including mail, small registered money transfer operators, and direct transfers through cash or in kind.

All this indicates that there might be scope for improvement in the balance of payments compilation of workers remittance flows. A more standardised and uniform approach among Member States could also contribute to this effort.

### **3. Eurostat Database**

Eurostat (the statistical office of the European Communities) used to ask all Member States in its quarterly questionnaire on current account and in the annual questionnaire on international trade in services to send data on: current transfers (item 379) and its breakdown into general government current transfers (item 380) and other (private) current transfers (item 390). The countries used to report a geographical breakdown for a selected number of countries, including World, intra-EU, extra-EU, Canada, Japan, US and EFTA.

As the annual data request on ITS now concentrates only on services, data on current transfers are not asked anymore. So, the only source of data on current transfers is now the quarterly reports. Here, in the newest request for data we have included workers' remittances (item 391) and other private current transfers (item 392) too. The Member States are requested to provide Eurostat with data on these items starting from the reference period 1<sup>st</sup> quarter 2005.

The regulation of the European Parliament and of the Council on Community statistics concerning balance of payments, international trade in services and foreign direct investment has been adopted in 2004. That means that the EU Member States will have a legal obligation to provide Eurostat with data on BOP items and with geographical breakdown, as mentioned in the regulation. First reference period for balance of payments quarterly statistics is the 1<sup>st</sup> quarter of 2006. However, the regulation foresees data on general government current transfers and other current transfers with extra EU countries only. Workers' remittances are not mentioned in the regulation. One reason for this is the fact that the discussions and negotiations on the regulation started much before workers' remittances became important in the political discussions. The balance of payments working group and the balance of payments committee of the European Commission (to be established soon) may take this issue in their agenda and discuss with the EU Member States about the possibility of reporting data on workers' remittances. A political support from IMF and the World Bank will certainly help this process.

### **4. Issues relevant for current discussions**

Discussions on different issues relevant for measuring migrant remittances have been fuelled by the recent papers from Alfieri et al (2004) and Reinke et al (2004).

Following topics seem, from our point of view, to be of importance:

- a. Definition of residence is one of the crucial elements in the discussion process. Is one-year-rule (together with some exceptions) as defined by BPM5 adequate to identify migrants?
- b. Another important issue is the definition of remittances itself. Workers' remittances in BPM5 are goods and financial instruments transferred by migrants living and working in new economies to residents of economies in which the migrant formerly resided. Such a definition gives rise to following situations:
  - if an Bangladeshi migrant in the UK send regularly money to a member of his family settled in India, according to the definition this will not be recorded as migrant remittances.
  - if a migrant retires from his job but continues to send money to his family in the country of origin, this will also not be recorded, according to definition, as migrant remittances.

The distinction between workers' remittances (item 391) and other private current transfer (item 392) is not always logical.
- c. Although official channel of money transfer should be promoted by reducing cost of sending, works should be carried out to find consistent methodology for estimating informal flows.
- d. The most important question is, however, what we really intend to measure. Here we agree with Reinke et al (2004) that data on migration and remittances and their influence in development process and poverty reduction needed by policy makers are partly outside the framework of balance of payments statistics. BOP statistics should therefore be supplemented by data from household surveys both in sending as well as in receiving countries.
- e. As the impact of remittance transfers takes some time to be effective, longitudinal surveys are more appropriate. World Bank and other national and international institutions can play an important role.

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