
September 2016

Remittance Recipients in El Salvador

A Socioeconomic Profile



Multilateral Investment Fund
Member of the IDB Group

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Acknowledgements

The authors thank Sandro Díez-Amigo, Claudia Gutiérrez, María Luisa Hayem, Luís Mejía, Tomás Miller, Marcos Robles, Mayra Saenz, Luís Tejerina, and Fermín Vivanco for their valuable comments and suggestions over the course of the development of this analytic brief.

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This analytic brief presents the results of a quantitative analysis of the socioeconomic characteristics of the beneficiaries of international remittances in El Salvador. The analysis is based on household survey data from the 2013 Encuesta de Hogares de Propósitos Múltiples (EHPM, for its Spanish acronym), which was carried out by the General Directorate for Statistics and Censuses (DIGESTYC, for its Spanish acronym) of the Ministry of Economic Affairs of El Salvador. The dataset is made up of 21,086 households (81,865 individuals) and is representative at the national, departmental, urban, and rural levels, as well as for the San Salvador Metropolitan Area and the country's 50 largest municipalities¹. The high standards for quality applied to the design and implementation of the EHPM allow for disaggregated analyses of the characteristics of remittance beneficiaries and reliable comparisons between the remittance beneficiary segment and the population at large. The statistical analysis for this brief was performed using the standardized version of the EHPM dataset contained in the Inter-American Development Bank's Harmonized Household Survey Databases for Latin America and the Caribbean (also known as *Sociómetro-BID*)².

Some notable findings of this brief



Almost 1 of every 5 Salvadorans

benefits from international remittances.



70% are women

70% of remittance recipients in El Salvador are women.



Female-headed households

receive monthly amounts of remittances that are on average 32% higher than those received by male-headed households.



94% of all recipient households

report using remittances to cover daily consumption expenditures.



79% of recipient households

can be classified as poor or at risk of falling into poverty.



50% of total household income

On average, remittances constitute 50% of the total monthly household income of remittance recipient households. This share is even greater among rural and female-led households, as well as households headed by old age persons.

¹ For more information about the methodology of the EHPM 2013, please see "Government of the Republic of El Salvador, Ministry of Economic Affairs, General Directorate for Statistics and Censuses. (2014)". Publication of the Encuesta de Hogares a Propósitos Múltiples 2013. Delgado, El Salvador. Accessible at www.digestyc.gob.sv

² Inter-American Development Bank Social Sector: Harmonized Household Survey Data Bases of Latin America and the Caribbean - *Sociómetro-BID*. Washington, D.C.: Inter-American Development Bank.

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Overview Statistics

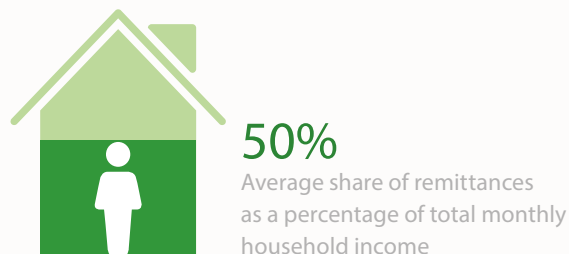
In 2013, 18% of all households in El Salvador received international remittances³. These households represented approximately 1,150,000 individuals. As a result, almost one in five Salvadorans benefitted from remittances.

Salvadorans living in remittance recipient households⁴

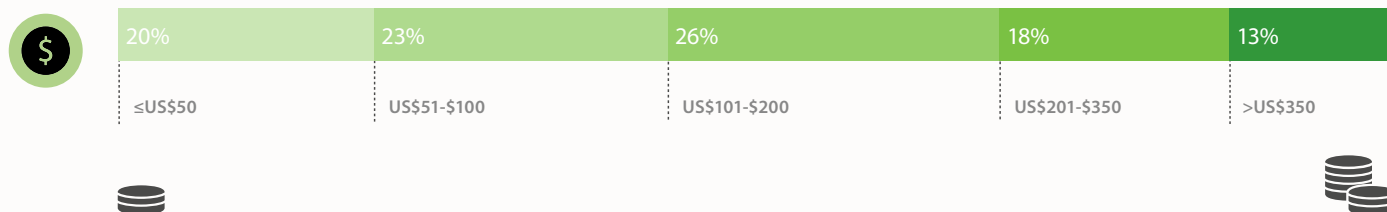


Remittance recipient households reported receiving an average of \$195 in remittances per month. Remittances make up 50% of the total income of remittance recipient households.

Importance of remittances



Monthly household income from remittances, by % households



³ A remittance-receiving household is defined as a household in which at least one person reported receiving remittances in the EHPM 2013. Over the course of this brief, people living in these households are referred to as “remittance beneficiaries”. Please see the annex for more information about adopted conceptual definitions and operationalizations.

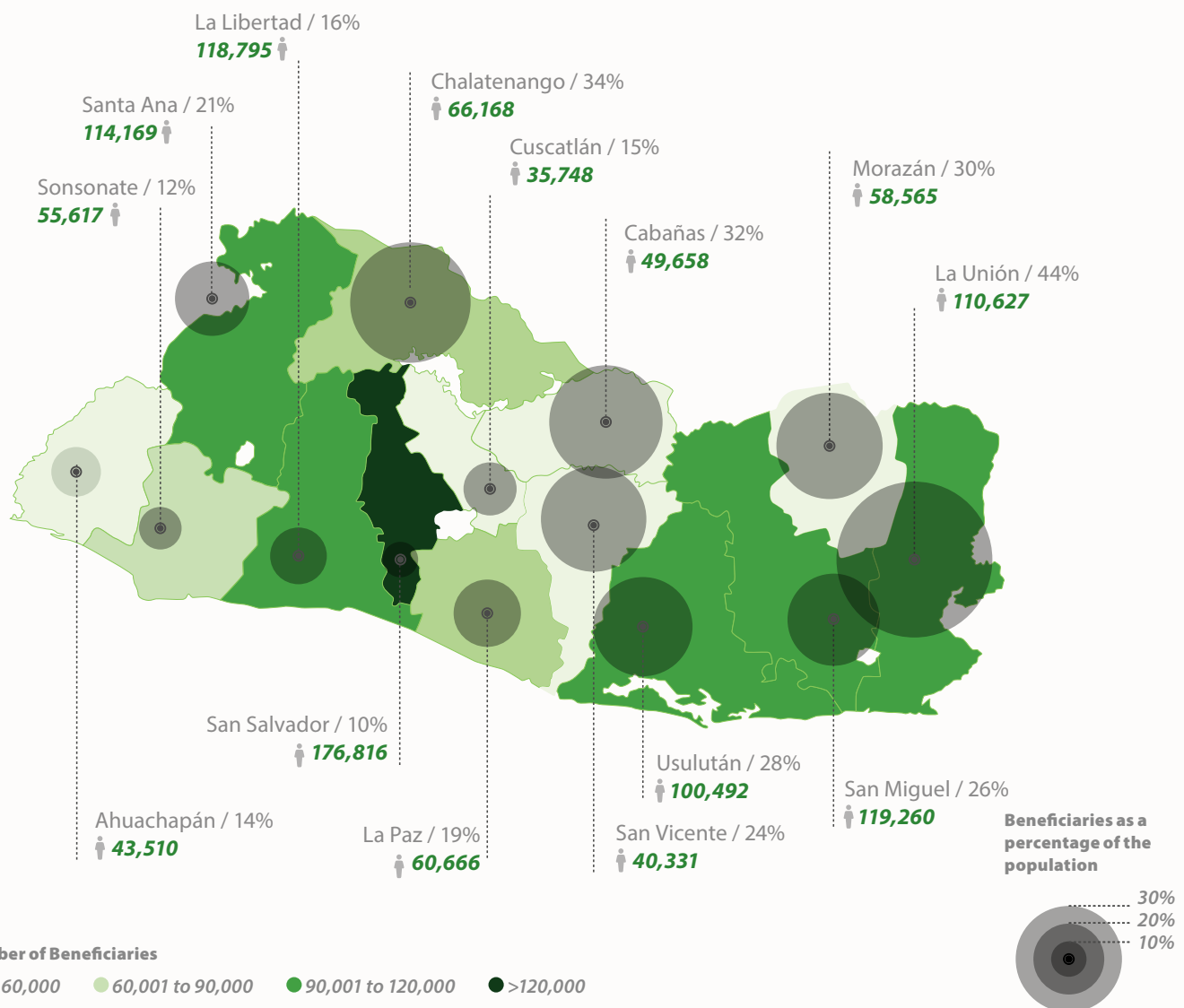
⁴ Due to rounding, the sum of percentages might not equal 100% in this and other graphics of this document.

⁵ Does not know/does not respond.

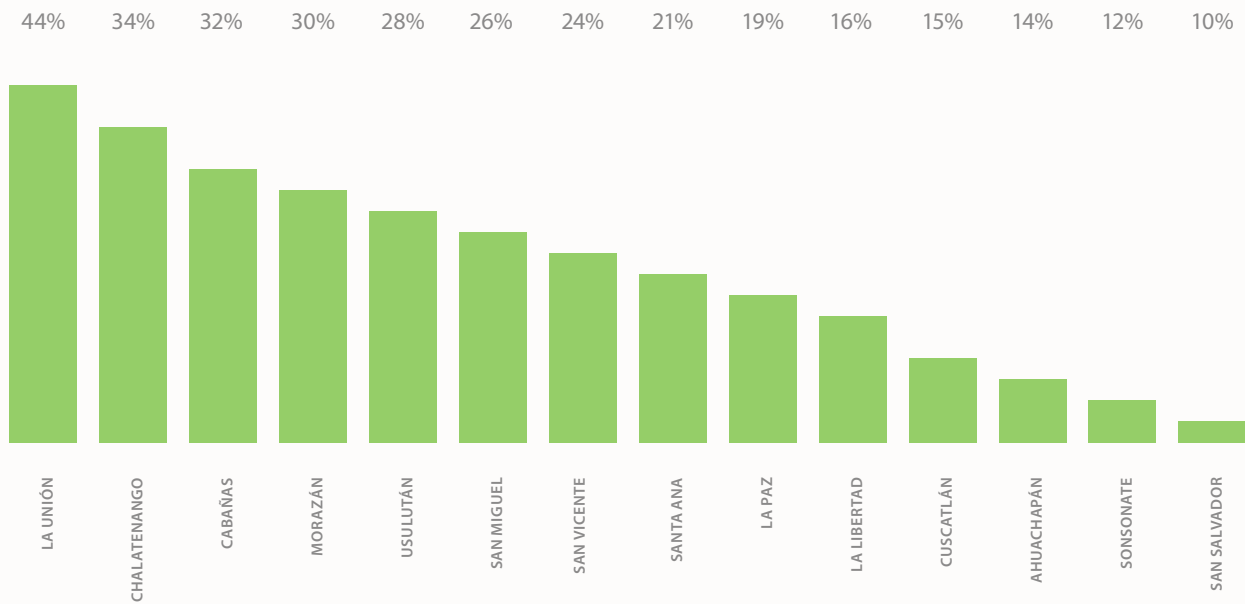
Location

The department with the largest number of remittance beneficiaries is San Salvador, followed by San Miguel, La Libertad, and Santa Ana. Together, these four departments are home to almost half of all remittance beneficiaries in El Salvador. La Unión is the department with the highest share of remittance beneficiaries in the total population. In six of the country's 14 departments, the proportion of remittance beneficiaries exceeds 25%. While San Salvador is the department with the highest total number of remittance beneficiaries, given its large population, the share of remittance beneficiaries as a percentage of the total population is the lowest of all departments.

Remittance beneficiaries by department (total number and as a percentage of total population)

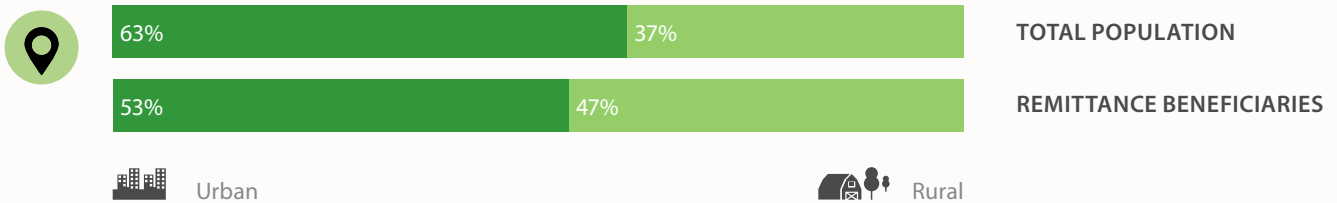


Remittance beneficiaries by department (%)

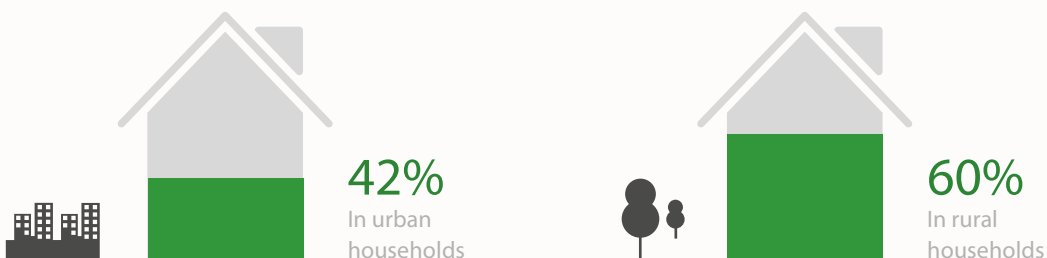


Remittance beneficiaries tend to be more concentrated in rural areas than people in the general population. While 37% of the Salvadoran population lives in rural areas, this number rises to 47% among remittance beneficiaries. However, the importance of remittances, measured as a percentage of total monthly household income, is higher among remittance recipient households that live in rural areas.

Geographic distribution



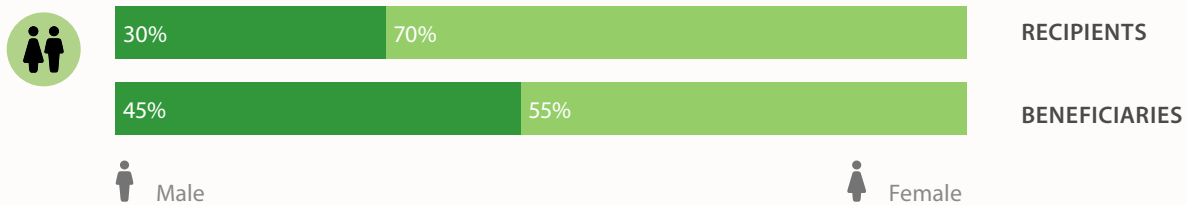
Importance of remittances as a percentage of total monthly household income, by geographic division



Gender

A large share of remittance recipients and beneficiaries are women. 70% of those who receive remittances are women, while 55% of all the persons living in households that receive remittances are women.

Remittance recipients and beneficiaries, by gender

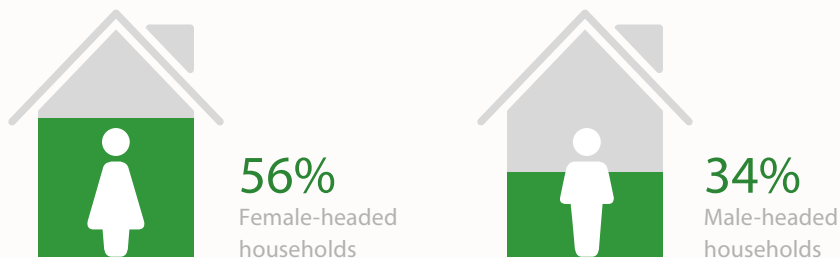


Average monthly remittance income of remittance recipient households, by gender of the head of household



The average value of remittances received by female-headed households is 32% higher than that received by households headed by men. The importance of remittances as a percentage of total monthly household income is higher for female-headed households than those with male heads of household.

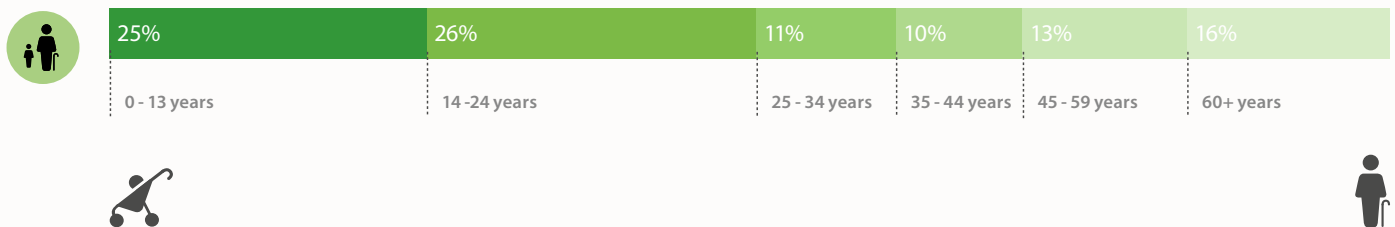
Importance of remittances as a percentage of total household income, by gender of the head of household



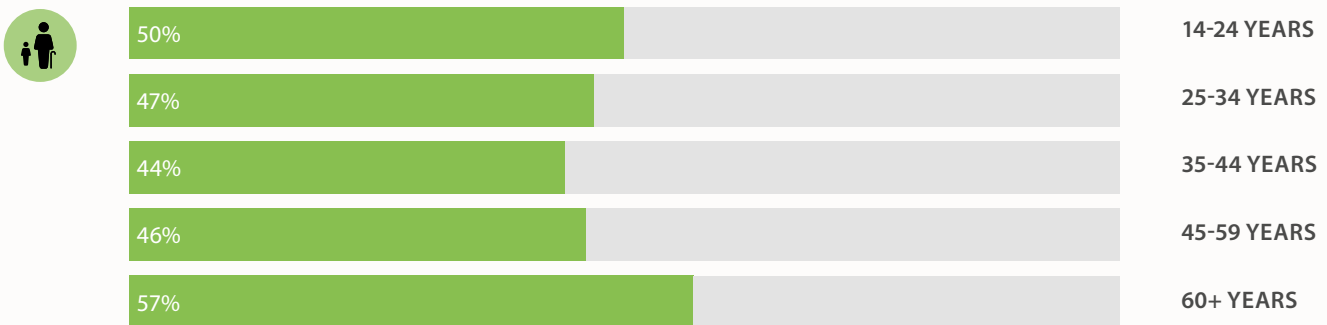
Age

A quarter of all remittance beneficiaries are below the age of 14; in real numbers, approximately 285,000 Salvadoran children benefit from remittances. The average age of remittance recipients is 50 years⁶. Remittances tend to make up a greater share of total household income when the head of household is older than 60 years of age.

Age distribution, persons living in households that receive remittances



Importance of remittances as a percentage of total household income, by age of the head of household

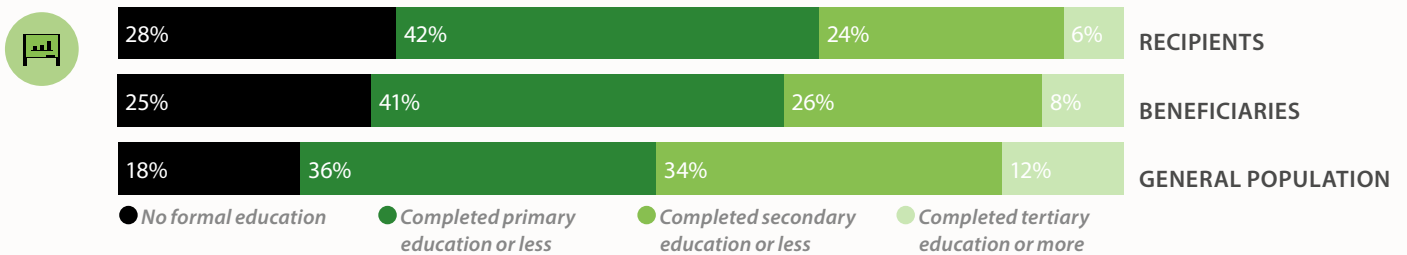


⁶ Only people age 10 or older were taken into account for the calculation of the mean age of remittance recipients. Questions about income were not asked to individuals below that age.

Education

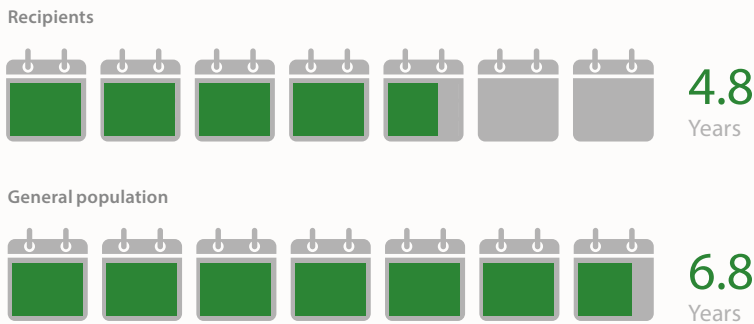
Overall, remittance beneficiaries have low levels of formal schooling. 70% of remittance recipients have only primary education or less⁷. In contrast, in the general population, just 54% of people have only primary education or less. The average number of years of completed education among remittance recipients is 4.8 years, compared with 6.8 years among the general population.

Level of Educational Attainment*



*This graphic only considers people aged 25 or older.

Average number of years of completed education*



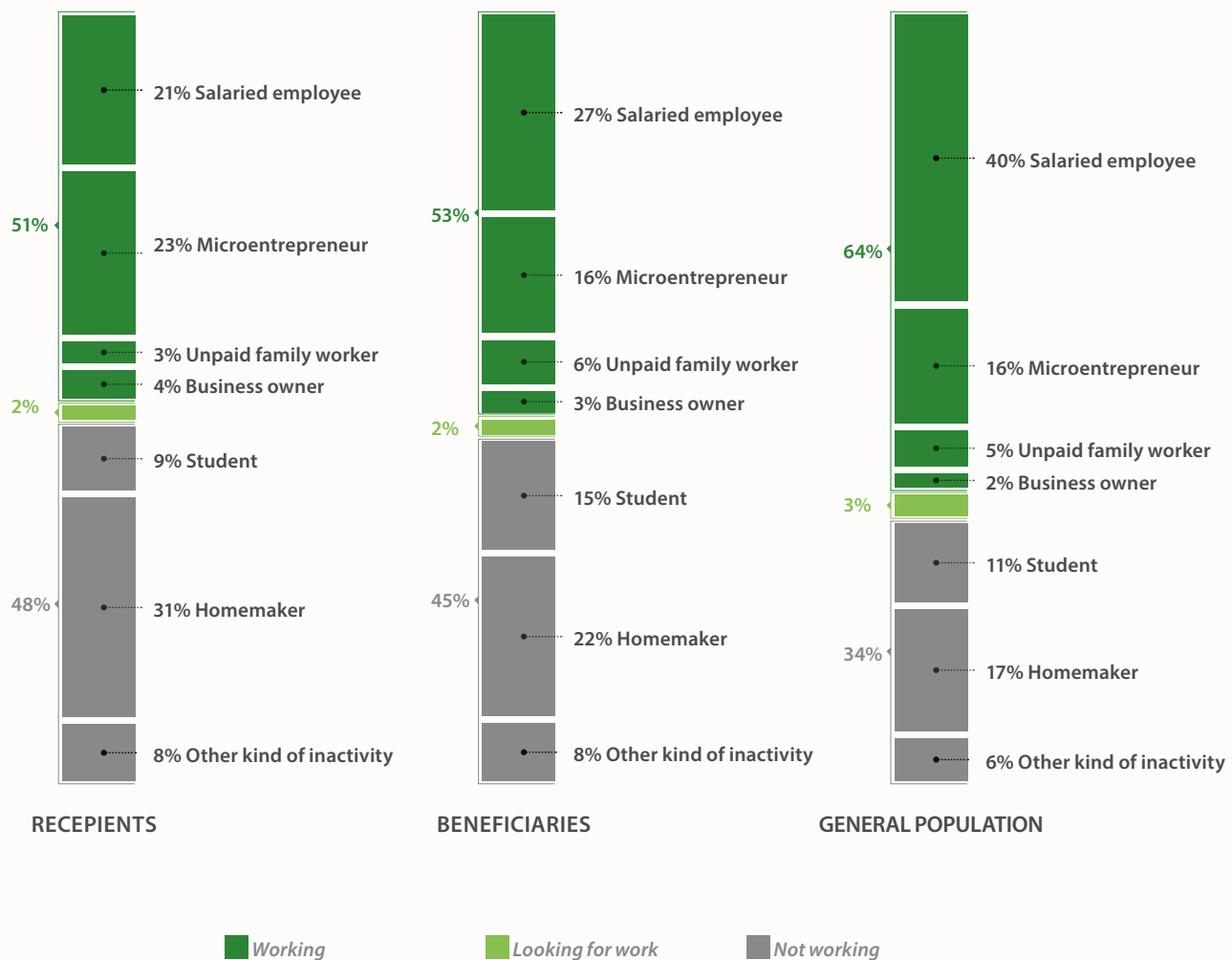
*This graphic only considers people aged 25 or older.

⁷ Following international practice, the analysis of levels of educational attainment only considers people aged 25 or older.

Occupation

Approximately half of all working age remittance recipients form part of the labor force, meaning that they are either currently working or are actively looking for work. Remittance recipients are less likely to be economically active than people in the general population. A considerable share of remittance recipients work as microentrepreneurs, suggesting a lack of access to paid work among this population segment. Almost two-thirds of those remittance recipients who neither work nor are actively looking for work self-identify as homemakers. This fact might be correlated with the high proportion of women among the population of remittance recipients.

Occupation categories*



* This graphic only considers persons of working age, which ranges from 16 to 55 years for women and from 16 to 60 years for men.

Retirement age remittance recipients have a lower likelihood of working or actively looking for work than people of retirement age in general.

Economic activity of people of retirement age



A large majority of working remittance recipients are employed in the informal sector, whereas people in the general population have a greater likelihood to work in the formal economy.

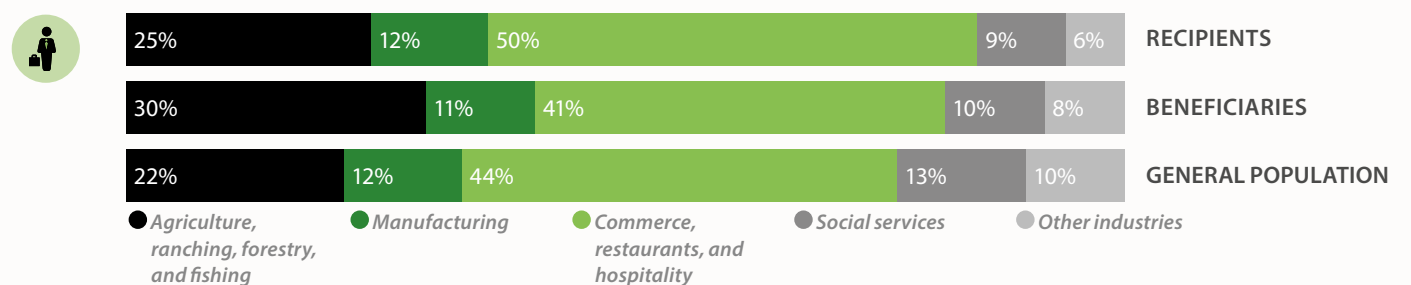
Formality of work*



*This graphic only considers employees of working age, which ranges from 16 to 55 years for women and from 16 to 60 years for men.

When comparing microentrepreneurs and business owners that receive remittances with the general population of microentrepreneurs and business owners, there is a greater concentration of the former in work related to commerce, restaurants, and hospitality, while a higher proportion of the latter works in social services, as well as in other industries.

Microentrepreneurs and business owners by industry*



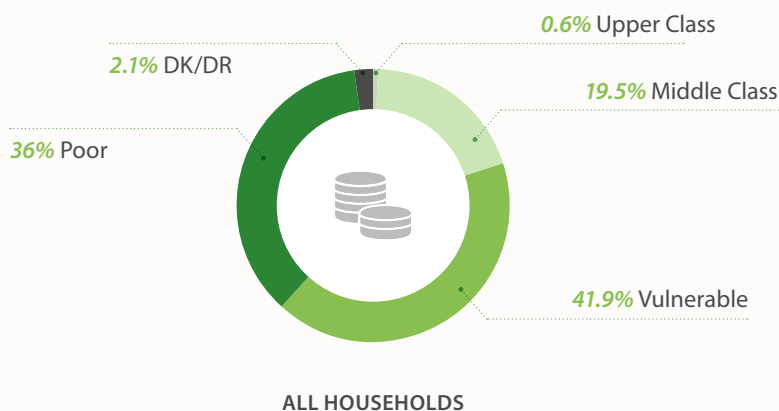
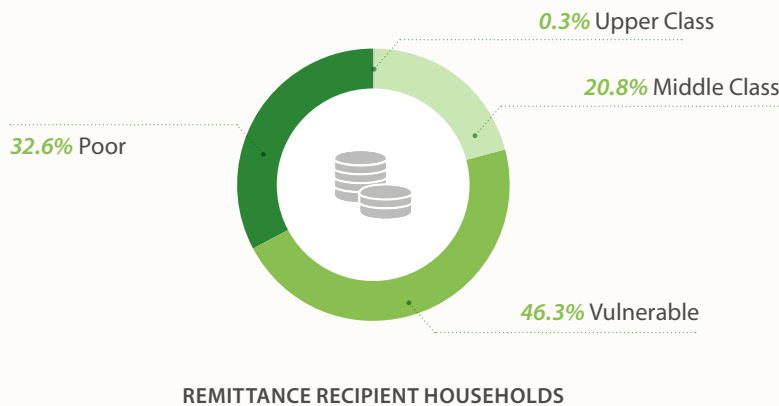
* This graphic only considers remittance-receiving microentrepreneurs and business owners of working age, which ranges from 16 to 55 years for women and from 16 to 60 years for men.

Economic Situation

Almost half of all remittance recipient households are considered vulnerable, as they are at risk of falling into poverty. Poverty is somewhat less widespread among remittance recipient households than among the entire set of households. At the same time, the proportion of middle and upper class households is only marginally different between remittance recipient households and the general population. This suggests that remittances may serve as an important source of income to keep households from falling into conditions of poverty.

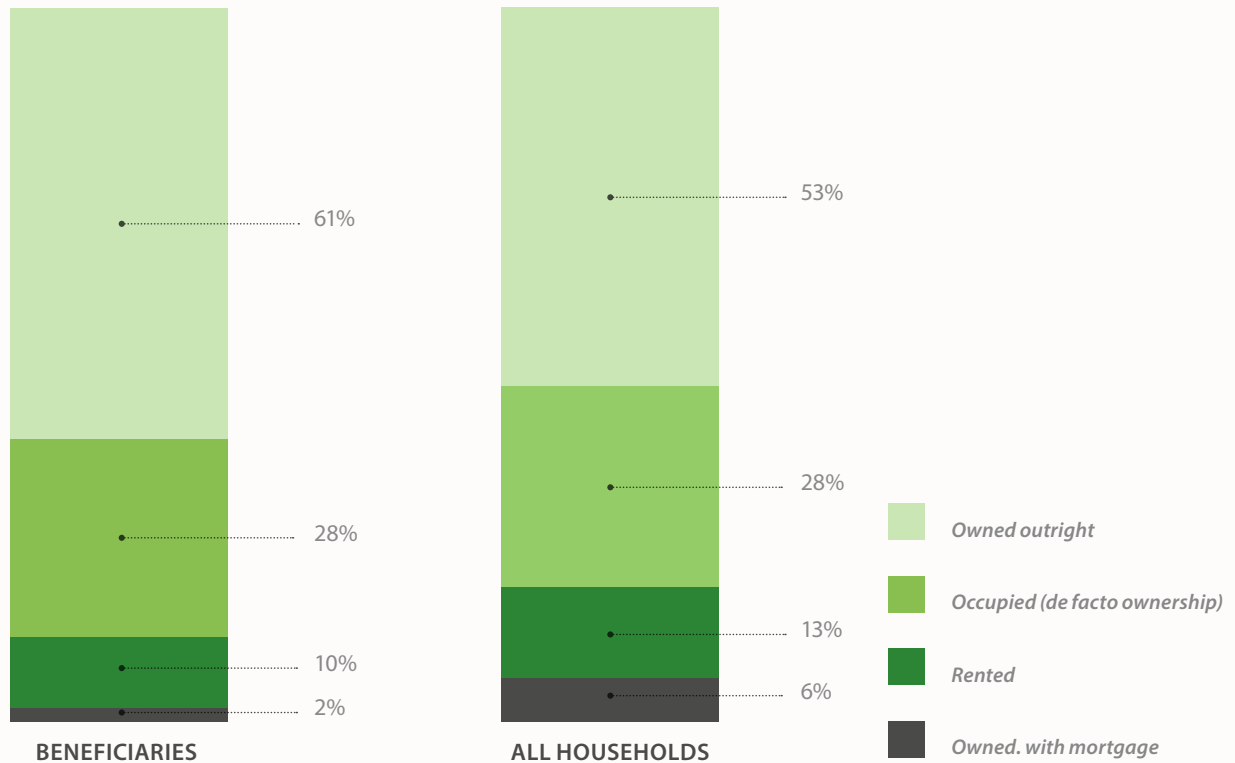
For the purpose of this study, “poor” refers to a purchasing power of more than US\$4 per capita per day or less (based on 2005 US\$). “Vulnerable” refers to an income of between US\$4 – \$10 per capita per day. The category “middle class” refers to a purchasing power of US\$10 – \$50 per capita per day, and “upper class” to more than US\$50 per capita per day.

Economic situation of remittance recipient households and of all households



Remittance recipient households tend to own the homes they live in. At 89%, home ownership rates are somewhat higher among remittance recipient households than among the entire set of households.

Housing



Rates of access to basic services like running water, bathroom facilities, and electricity are higher among remittance recipient households than among households in general.

Access to basic services



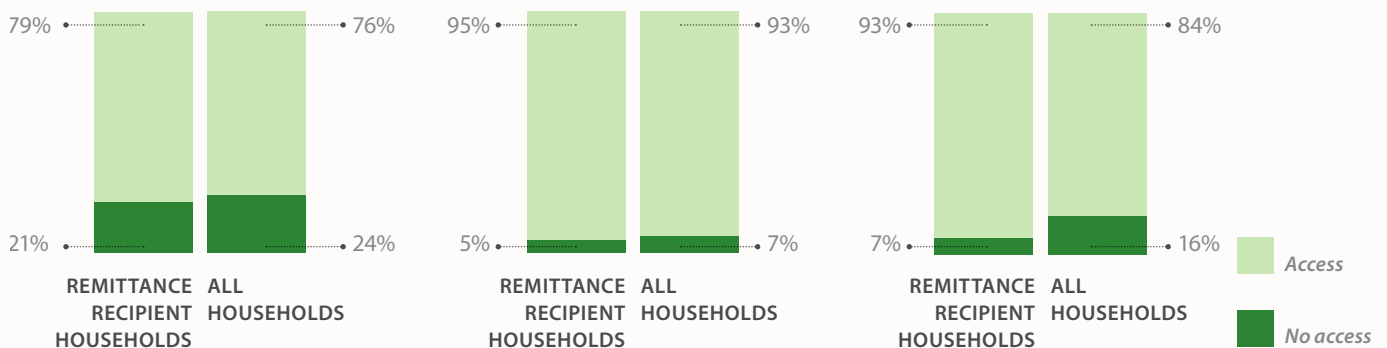
Running water



Bathroom facilities



Electricity

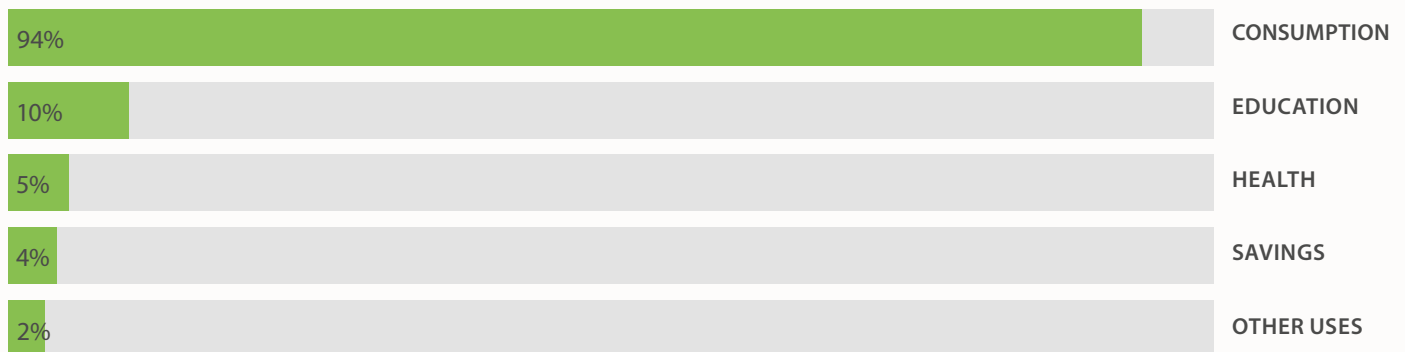


Use of Remittances

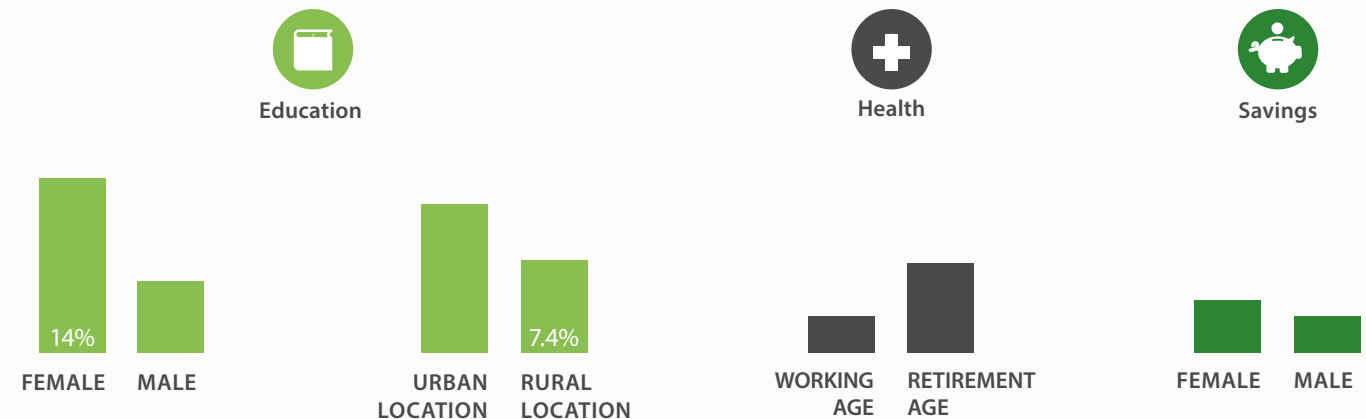
Almost all remittance recipient households in the sample report using this money to cover daily consumption expenditures. Other uses, although less frequently mentioned, include expenses related education and healthcare. The use of remittance income varies according to the socioeconomic characteristics of the beneficiaries. For example, female-headed households exhibit a higher propensity to invest their remittance income in education. Households located in urban areas are also more likely to invest remittance income in education, which could be related to better access to educational institutions in towns and cities, compared to more rural areas.

Remittance recipient households where the head of household is aged 60 or older exhibit a greater propensity to use remittances to cover healthcare expenses. This finding highlights the importance of this source of income to ensure an adequate quality of life for aging remittance recipients.

Use of remittances among remittance recipient households (multiple responses, % of total)



Use of remittances, by characteristics of head of household



Annex

Conceptual and methodological considerations

Remittance recipients

A remittance recipient is defined as a survey respondent who reports having received income from international remittances during the past month or from casual remittances during the past 12 months. The variable is based on two questions which were only asked to persons 10 years of age or older.

Remittance recipient households

Remittance recipient households are those households within which at least one household member reported receiving remittances, applying the previous definition of a remittance recipient.

Remittance beneficiaries

Remittance beneficiaries are all survey respondents who live in remittance recipient households. Households were coded as missing when none of their members reported receiving any income. Individuals who reported that they do not belong to the nuclear household (domestic employees, for example) were also coded as missing.

Urban and rural areas

The delimitation of urban and rural areas is defined in detail in Section 5 of the documentation of the EHPM of 2013, available online at www.digestyc.gob.sv (in Spanish).

Working age

The working age population of El Salvador is officially defined as all individuals aged 16 and older. In this analytic brief, people at or above the official retirement age were excluded from the working age population. The retirement age in El Salvador is 55 years for women and 60 years for men.

Occupation categories

The occupation categories referenced in this analytic brief are those defined by the EHPM:

- **Business owner (originally *patrono*)**: A person or legal entity which owns one or more establishments in which an economic activity is performed, and that employs one or more workers, to whom remunerates in cash or in kind.
- **Microentrepreneur (originally *trabajador por cuenta propia*)**: a person who performs an economic activity in an independent manner, does not employ remunerated individuals, and is not employed by anyone (although she can have unremunerated family members working in the microenterprise).
- **Salaried employee**: A person who works permanently or temporarily for an employer and receives a remuneration in the form of a salary, wage plus commission.
- **Unpaid family worker**: A person that works for a family member without receiving monetary compensation.

The original variable also includes the category “other”, the frequency of which never exceeds 0.5%. It is therefore not shown.

Categories of inactivity

Following the standardization methodology of the *Sociómetro-BID*, the category of “students” includes people who report being enrolled in formal educational or vocational training institutions. A response was coded as “other kind of inactivity” when a respondent indicated the following reasons for not looking for work or attempting to open a business in the past week :

- believed that there was no work available in the area;
- did not know how to look for work;
- grew tired of looking for work;
- was waiting for agricultural cycles;
- had family or personal obligations;
- had an illness or disability (including because of old age);
- was already retired or a pensioner;
- other reasons.

Industries or sectors of occupation

Describes the sector of the economy in which a person carries out an occupation. This analytic brief uses the International Standard Industrial Classification of All Economic Activities (ISIC, rev. 3) of the Department of Economic and Social Affairs of the United Nations (1989). The category “other industries” includes (i) mining and mineral resource management; (ii) electricity, gas, and water supply; (iii) transportation and warehousing; (iv) financial and insurance activities; and (v) construction.

Formality of work

The EHPM stipulates that the delimitation of the formal and informal sectors refers in particular to the basic segments of the urban labor market. The formal sector is defined as the “segment of the labor market that is made up of: salaried employees and family workers in establishments of less than five workers, as well as microentrepreneurs and owners of businesses with five workers or less who carry out non-professional, non-technical, non-managerial, or non-administrative occupations.” The formal sector is defined as the “segment of the labor market made up of: salaried employees and workers in establishments of five workers or more, as well as microentrepreneurs and owners of businesses with five workers or less who carry out professional, technical, administrative or managerial occupations.”

Poverty levels

Poverty levels are established by comparing the income level of survey respondents with international poverty lines (purchasing power levels of 2005) of US\$4, US\$10, and US\$50 per capita per day. The corresponding categories are⁸:

- **Poor:** Daily income of less than US\$4.
- **Vulnerable:** Daily income of between US\$4 and US\$10. While this group can generally be considered as having sufficient resources to cover their basic costs of living, their members have a high risk of falling into poverty.
- **Middle class:** Those with a daily income of between US\$10 and US\$50.
- **Upper class:** Those with a daily income of more than US\$50.

⁸ For more information on the conceptualization of these economic groups, see: López-Calva, L.F. and Ortiz-Juárez, E. 2014. “A vulnerability approach to the definition of the middle class.” *The Journal of Economic Inequality*, 12(1):23–47.

Housing

The financial arrangements under which a person has the right to live in her house or apartment, regardless of who is the landowner. The categories are defined by the *Sociómetro*-BID, which groups several items from the EHPM:

- **Owned outright:** When the property right has been acquired by one of the household members through purchase, inheritance, or another way. To be considered owned outright, the home has to be completely paid for.
- **Occupied (de facto ownership):** Includes the following five tenancy categories: (i) owners of a home on private land, (ii) owners of a home on public land, (iii) a person that resides permanently in a rural property, for which she does not pay rent and receives from the owner or administrator of the property one or more parcels of land for agricultural activities, (iv) a person who resides permanently in a residence with the objective of taking care of it and who is provided a salary in cash or in kind in return for the activity she is carrying out, (v) a person occupying a property who pays the owner or administrator for a service. This category also includes situations in which respondents report living in residences that have been constructed on land that is not owned by them (e.g. slums).
- **Rented:** Persons living in a residence which they do not own and for which they pay a certain amount of money in the form of rent or a lease.
- **Owned, with mortgage:** Includes those owners of a home who are in the process of paying for it in installments.

Access to basic services:

Measures whether or not a household has access to :

- running water,
- some type of bathroom facilities (toilet or latrine) and
- electricity as the primary source of lighting in the home.

The variables in the cases of i) and ii) are those defined by the *Sociómetro*-BID. For a household to be considered as having access to electricity as the primary source of lightning, this access has to be personal (e.g. not a connection provided and paid for by a neighbor). Solar panels and electricity generators, answer categories of the original EHPM variable, count as “electricity”.


Use of remittances

To determine how a remittance was used, a respondent was asked to indicate the portion (in absolute monetary value) of the remittance she receives that is spent on a given item in a predefined list of expenditure categories (see the EHPM documentation for the list). For this brief, the categories “permanent medical expenses,” “hospitalization expenses,” “other permanent medical expenses (medical exams, medicine, etc.),” and “expenses arising from casual medical consultations” were combined into a new category called “health.” In this note, the category “other uses” includes the original categories “home (construction and reparation),” “home – purchasing,” “home - rent,” “business (commerce),” “purchase of agricultural inputs,” “recreational expenses,” “payment of obligations of another member of the household residing abroad,” and “others,”

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