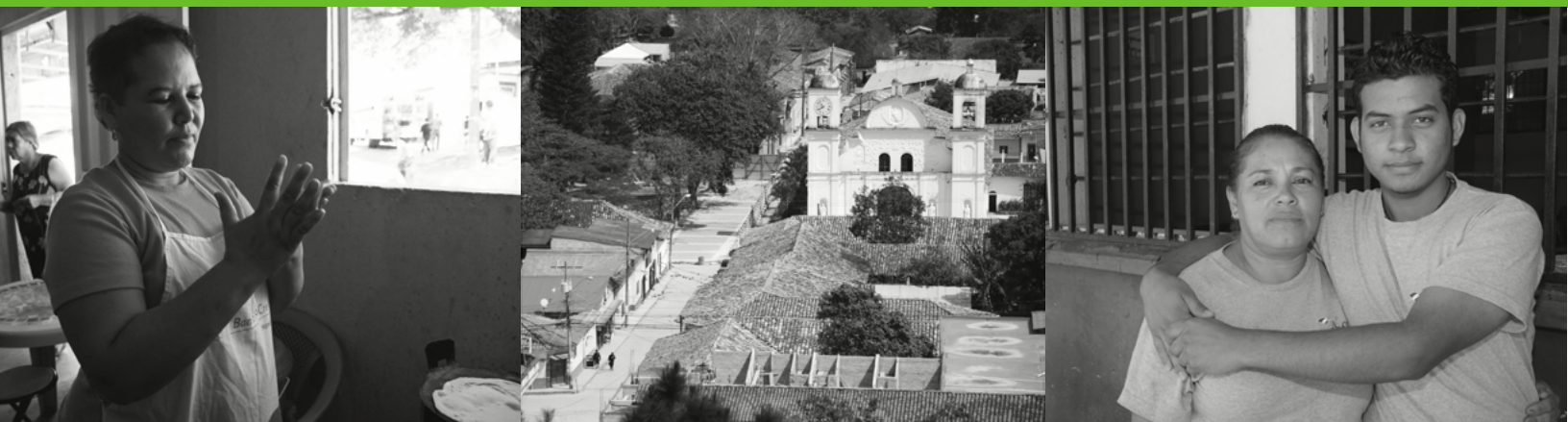

September 2016

Remittance Recipients in Honduras

A Socioeconomic Profile



Multilateral Investment Fund
Member of the IDB Group

By:

› Lukas Keller
› Rebecca Rouse

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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 Honduras. The analysis is based on household survey data from the 2014 Encuesta Permanente de Hogares de Propósitos Múltiples (EPHPM, for its Spanish acronym), which was carried out by the National Institute of Statistics of the Republic of Honduras. The survey has a sample size of 5,593 households (24,023 individuals) and is representative at the country level as well as for urban and rural areas. The survey covers all departments of Honduras except for Gracias a Dios y Islas de la Bahía¹. The high standards for quality applied to the design and implementation of the EPHPM allow for disaggregated analyses of the characteristics of remittance beneficiaries as well as 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 EPHPM 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 6 Hondurans

benefits from international remittances.



69% are women

69% of remittance recipients in Honduras are women.



Female-headed households

receive monthly amounts of remittances that are on average 58% higher than those received by male-headed households.



88% of all recipient households

report using remittances to cover daily consumption expenditures. Two in five remittance recipient households also report using them to cover medical expenses.



83% of recipient households

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



38% of total household income

On average, remittances constitute 38% of the total monthly household income of remittance recipient households. This share is even greater among rural and female-led households, as well as among households led by adolescents or young adults.

¹ For more information about the methodology of the EPHPM, see National Institute of Statistics. (2014). Methodology of the Encuesta Permanente de Hogares de Propósitos Múltiples – EPHPM.

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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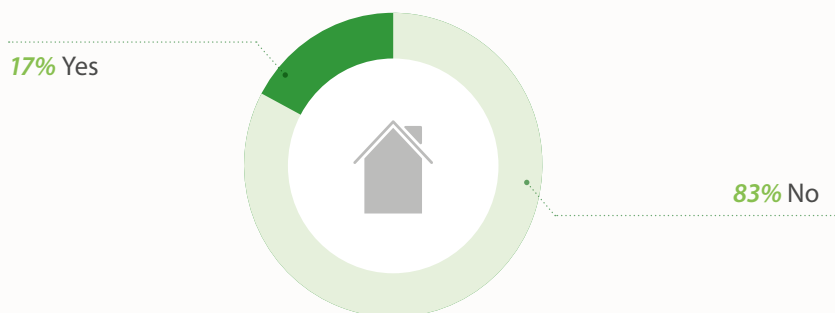
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Overview Statistics

In 2014, 17% all households in Honduras received international remittances³. These households represented approximately 1,360,000 individuals – 16% of the entire population.

Remittance recipient households in Honduras⁴



Remittance recipient households receive an average of \$166 in remittances per month (current prices). Remittances make up 38% of the total income of remittance recipient households.

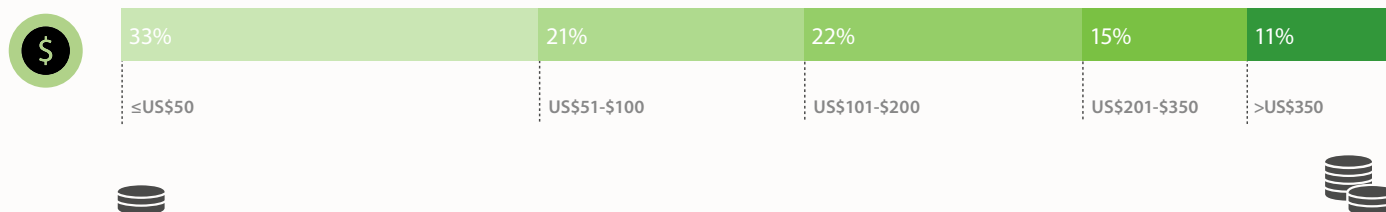
Importance of remittances



38%

Average share of remittances as a percentage of total monthly household income

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 EPHPM 2014. 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.

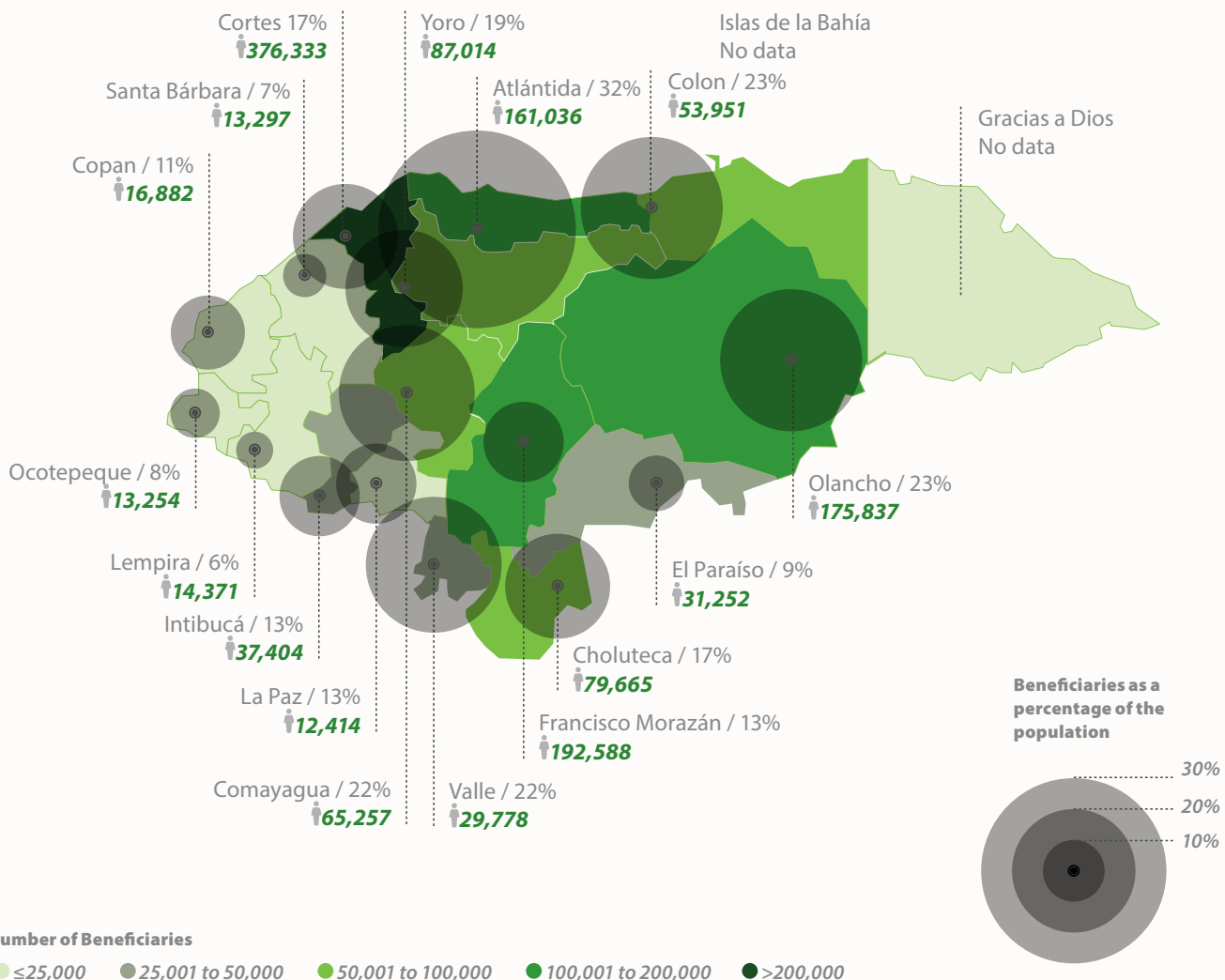
⁴ Due to rounding, the sum of percentages might not equal 100% in this and other graphics of this document.

Location

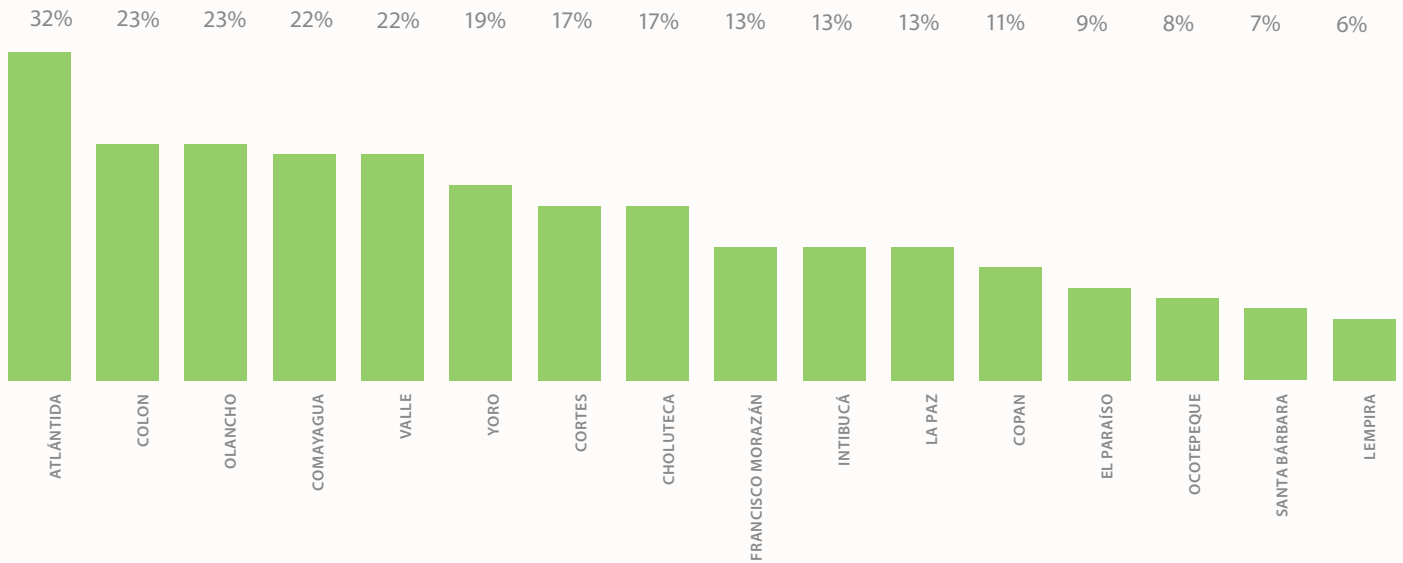
The department with the largest number of remittance beneficiaries is Cortes, followed by Francisco Morazán, Olancho, and Atlántida. Together these four departments are home to almost half of all remittance beneficiaries in Honduras.

With 32% of its population living in households that receive remittances, Atlántida is the department with the highest share of people benefitting from this source of income of all departments in Honduras. In 5 of the 16 departments for which data is available, the share of remittance beneficiaries exceeds 20%. While Cortes is the department with the greatest number of remittance beneficiaries, due to its high number of inhabitants, its share of remittance recipients as a percentage of the total population is equal to the national average.

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

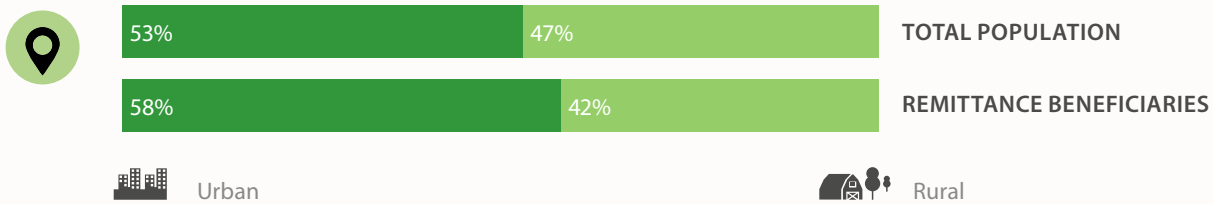


Remittance beneficiaries by department (%)

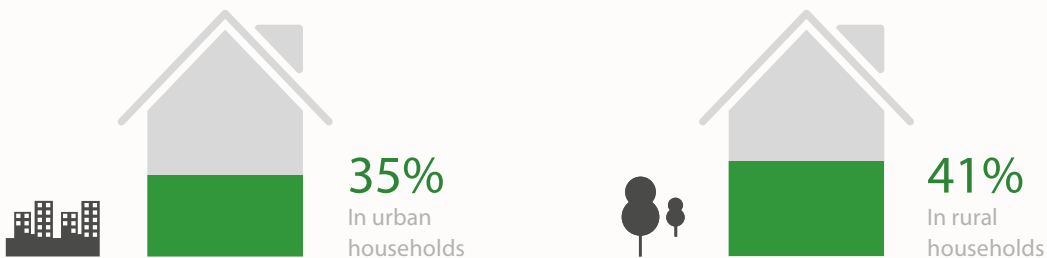


Remittance beneficiaries tend to be more concentrated in urban areas than the general population. While 53% of the Honduran population lives in urban areas, this number rises to 58% among remittance beneficiaries. The importance of remittances, measured as a percentage of total monthly household income, is higher among remittance recipient households that live in rural areas.

Geographic distribution



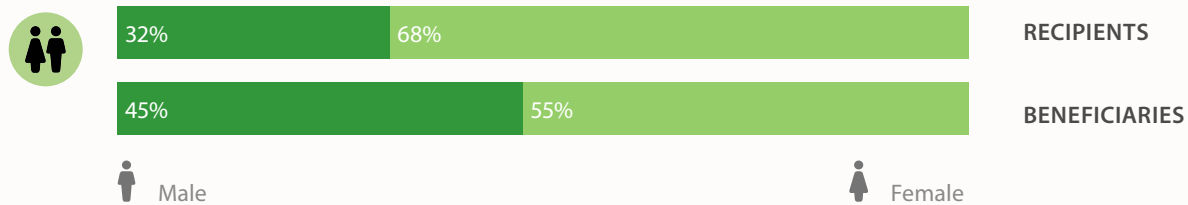
Importance of remittances as a percentage of total monthly household income, by geographic division



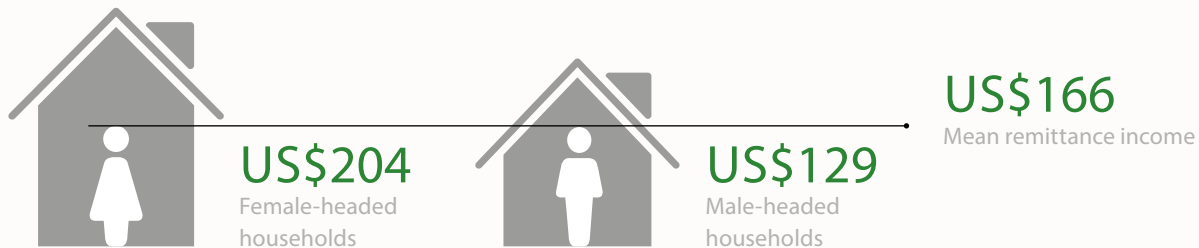
Gender

A large share of remittance recipients and beneficiaries are women, 68% of those who receive remittances are female, and 55% of all the persons living in households that receive remittances are women.

Remittance recipients and beneficiaries, by gender

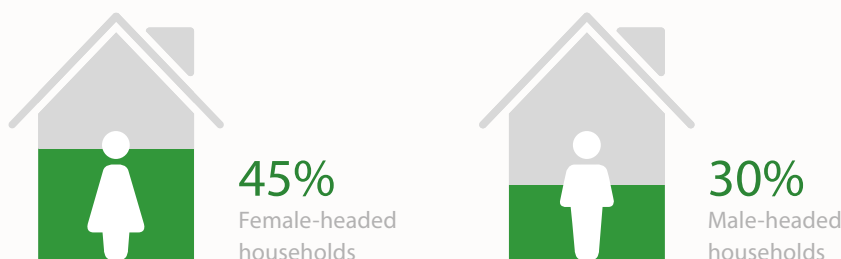


Average monthly remittance income of remittance recipient households, by gender of the head of household



On average, female-headed households receive monthly amounts of remittances that are 58% higher than those received by male-headed households. The importance of remittances as a percentage of total household income is higher for female-headed households than for those with male heads of household.

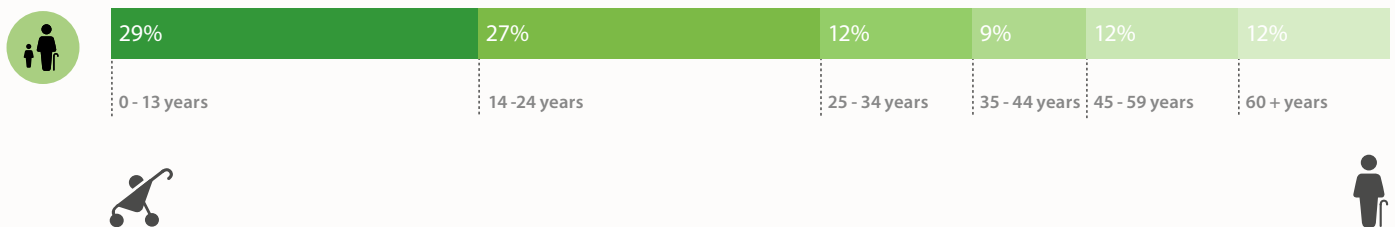
Importance of remittances as a percentage of total household income, by gender of the head of household



Age

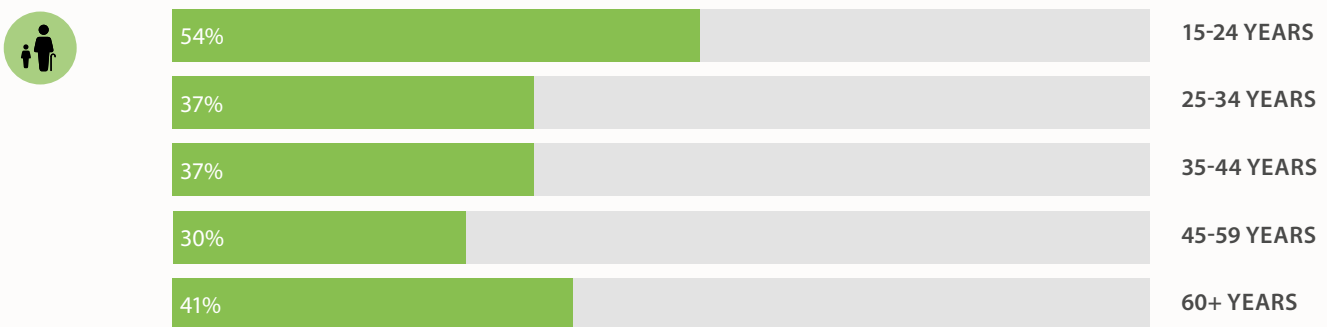
Almost a third of all remittance beneficiaries are below the age of 14; in absolute numbers, approximately 394,000 Honduran children benefit from remittances. The average age of remittance recipients is 37 years, compared with an average age of 22 in the general population.

Age distribution, persons living in households that receive remittances



Remittances tend to make up a greater share of total household income if an adolescent or young adult is the household head. For these households, on average, remittances constitute more than half of all household income. The importance of remittances as a percentage of household income is also elevated among households headed by persons age 60 and older.

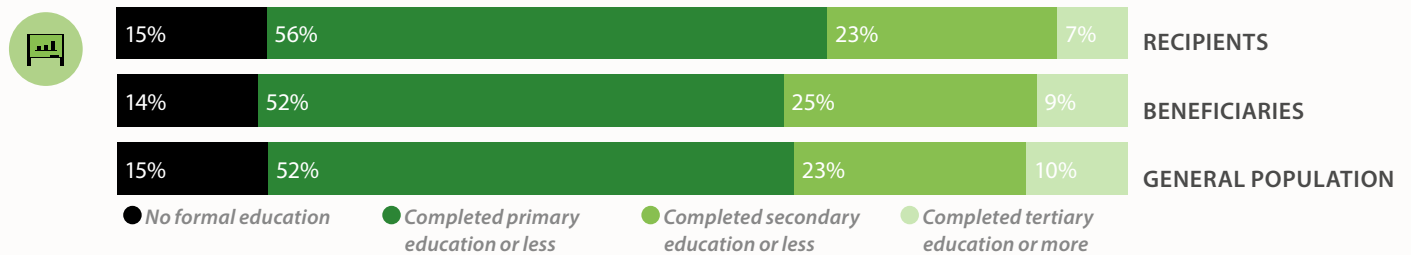
Importance of remittances as a percentage of total household income, by age of the head of household



Education

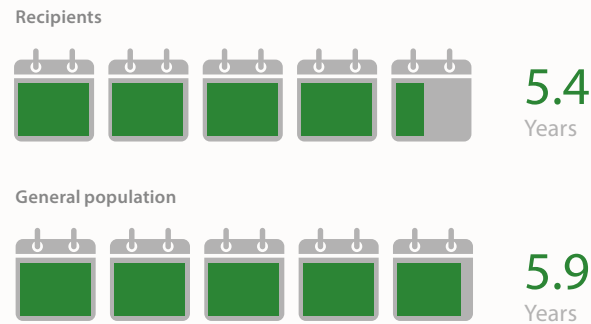
Overall, remittance recipients have low levels of formal schooling, expressed by the fact that 71% of them have a primary education or less⁵. Levels of formal schooling are slightly higher among the Honduran population at large. The average number of years of education completed among remittance recipients is 5.4 years, compared with 5.9 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.

⁵ Following international practice, the analysis of levels of educational attainment only considers people aged 25 or older.

Occupation

More than 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.

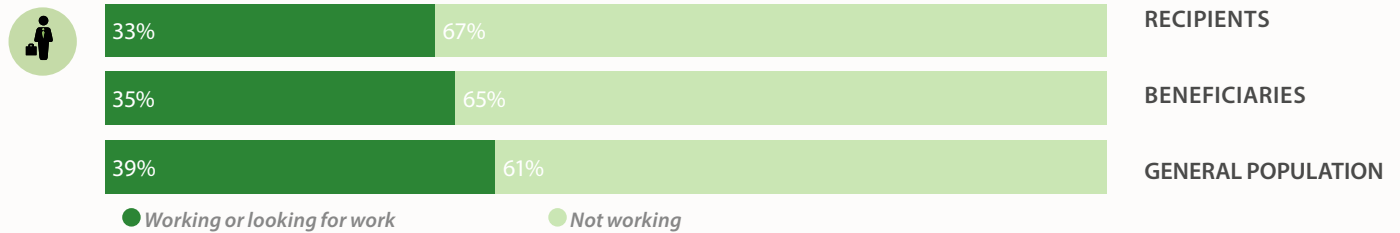
Occupation categories*



* This graphic only considers persons of working age, which ranges from 10 y 60 years for women and from 10 to 65 years for men.

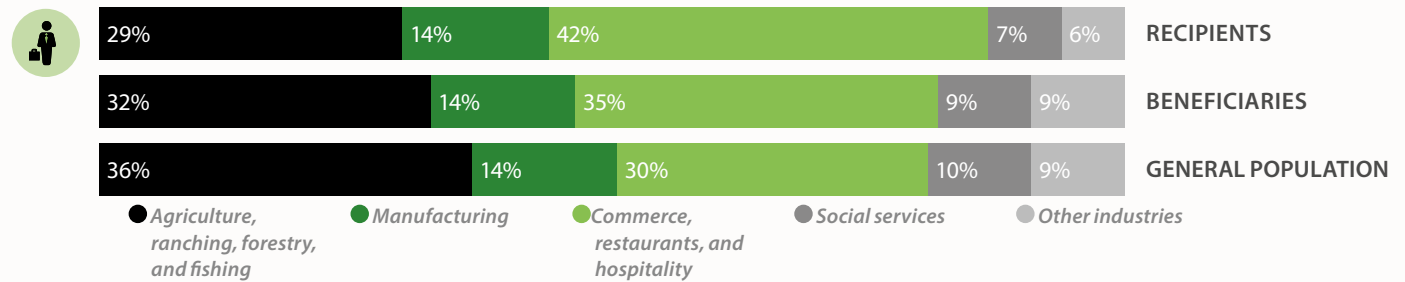
Retirement age remittance recipients have a lower likelihood of working or actively looking for work than people of retirement age in general.

Economic activity of people of retirement age



Remittance recipients who work as microentrepreneurs or business owners are most concentrated in the commerce, restaurant, and hospitality sectors. Their representation in these industries is 12% higher than that of all entrepreneurs in Honduras. At the same time, the share of remittance recipient entrepreneurs working in agriculture, ranching, forestry and fishing is lower than the share of all Honduran entrepreneurs in these industries.

Microentrepreneurs and business owners by industry*



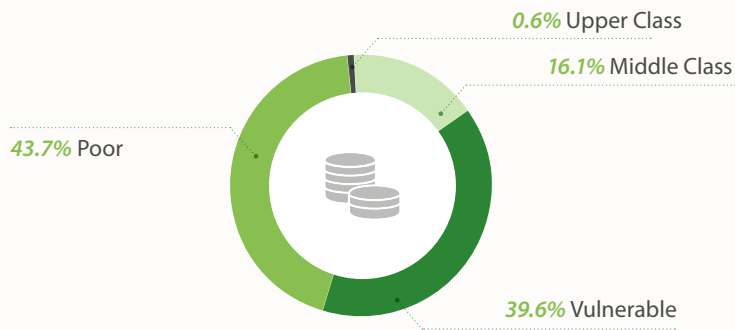
* This graphic only considers persons of working age, which ranges from 10 y 60 years for women and from 10 to 65 years for men.

Economic situation

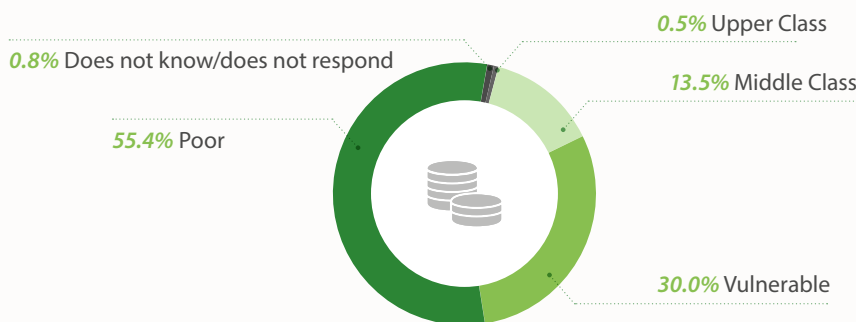
More than four out of five remittance recipient households can be considered poor or at risk to fall into poverty. Poverty is significantly less widespread among remittance recipient households than among the entire set of households. At the same time, the proportion of middle or upper class households 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 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



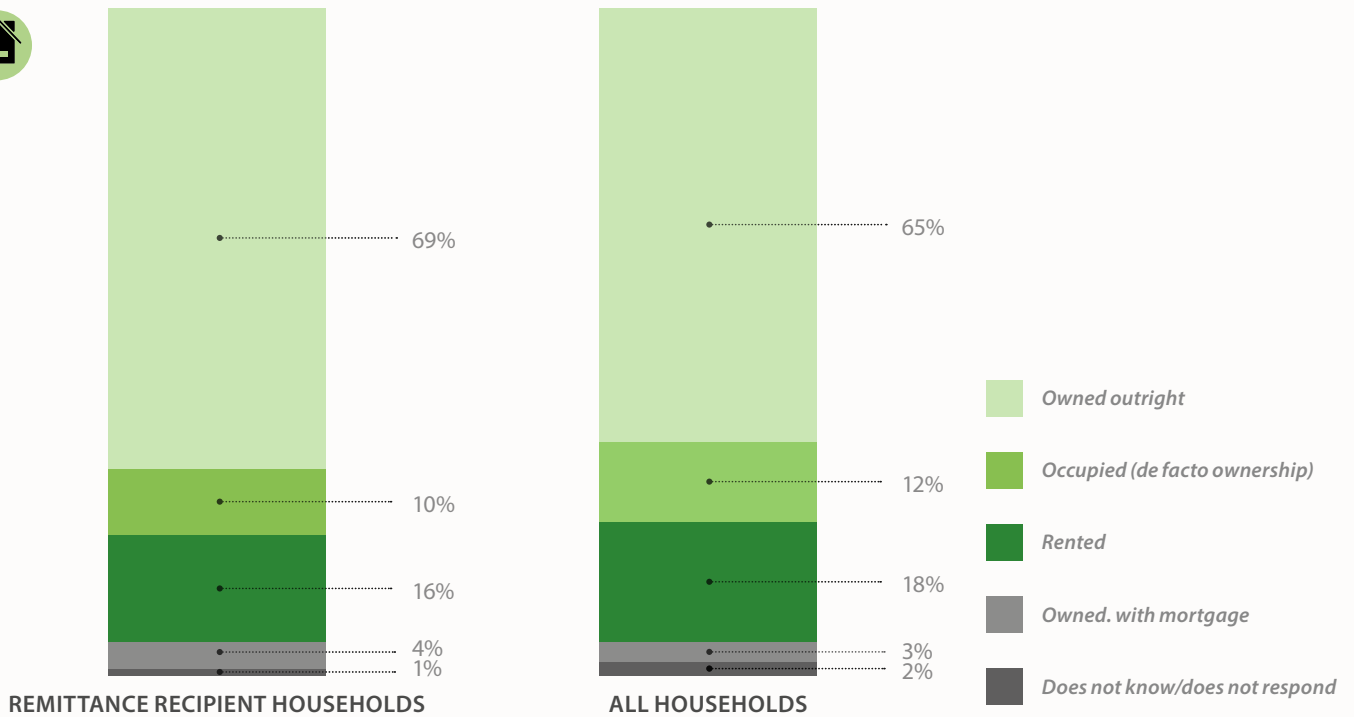
REMITTANCE RECIPIENT HOUSEHOLDS



ALL HOUSEHOLDS

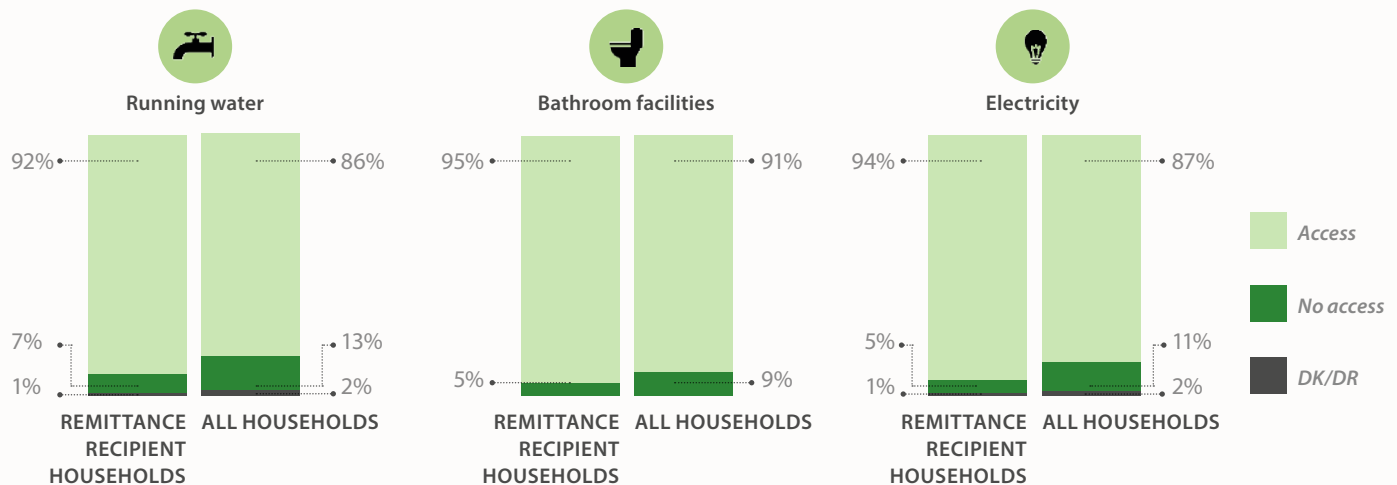
Homeownership rates are slightly higher among remittance recipient households than among the entire set of Honduran households. Only 16% of remittance recipient households live in a rented home.

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. The percentage of households without access to electricity as the primary source of lightning among remittance recipient households is half of what it is for the overall population.

Access to basic services

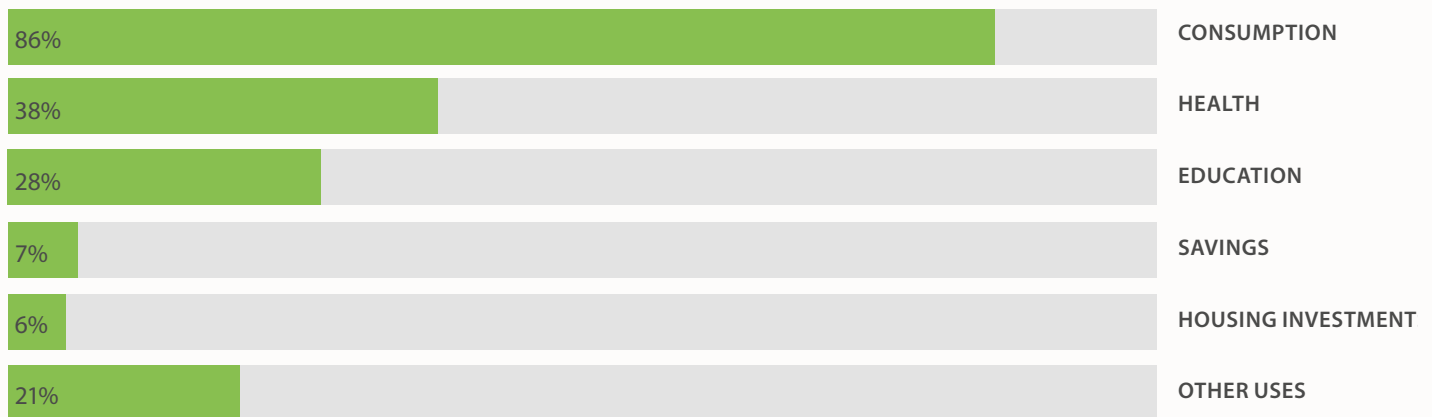


Use of Remittances

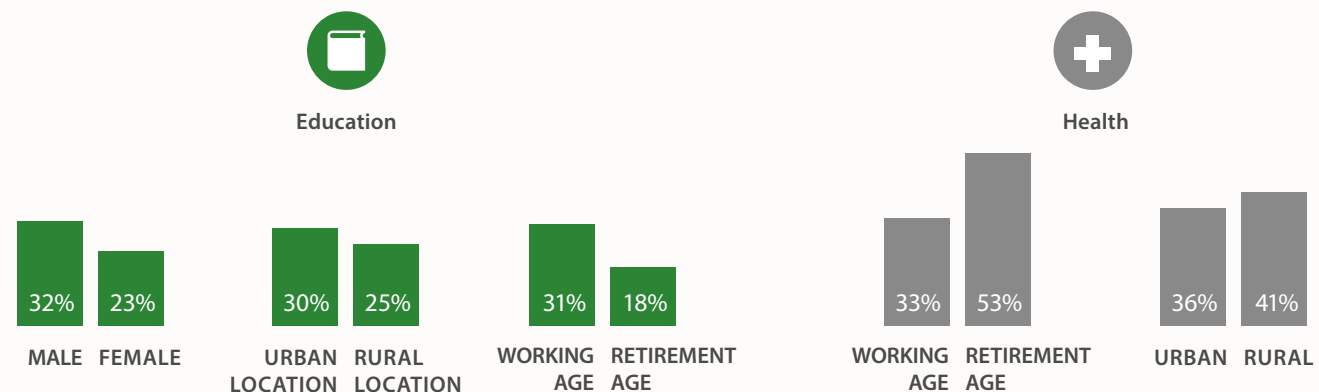
Almost all remittance recipient households in the sample report using this money to cover daily consumption expenditures. Other uses, although less frequently mentioned, include expenses related to education and healthcare. The use of remittance income varies according to the socioeconomic characteristics of the beneficiaries. For example, female-headed households have a higher likelihood of investing their remittance income in education. There is also a higher likelihood of using remittance income to cover education-related expenditures among urban households and those with a working-age household head than among rural households and those with a household head of retirement age, respectively.

Remittance recipient households with a retirement-age head of household exhibit a greater propensity to use remittances to cover healthcare expenses than remittance recipient households headed by a person of working age. This finding highlights the importance of this source of income to ensure an adequate quality of life for aging remittance recipients. The likelihood to spent remittance income on healthcare is also higher among rural than among urban remittance recipient households.

Use of remittances among remittance recipient households (multiple answers, % 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 three months. The corresponding question was asked to all survey respondents, without age restrictions.

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.

Rural and urban areas

The delimitation of the urban and rural areas is defined in detail in the documentation of the methodology of the EPHPM 2014, accessible at www.ine.gob.hn.

Exchange rate

The monetary income figures in United States dollars are obtained using an exchange rate of 21.06789 lempiras per United States dollar, which corresponds to the average auction rate of the Central Bank of Honduras during the month of June 2014.

Working age

The working age population of Honduras is officially defined as all individuals aged 10 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 Honduras is 60 years for women and 65 years for men.

Occupation categories

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

- **Business owner (originally *patrono*)**: Persons who own an economic entity or enterprise, which can be a business, agricultural property, commercial enterprise, clinical practice, law firm; who participate directly in its management and employ one or more persons in permanent form. The category includes business partners who intervene in the operation of said entities under any condition.
- **Microentrepreneur (originally *trabajador por cuenta propia*)**: Those individuals who carry out an economic activity in an independent manner, or with the help of family members, who do not have remunerated employees but who employ labor sporadically in some time period of the year.

- **Salaried employee:** They comprise employees and laborers, as well as domestic employees.
 - » Employees and laborers: persons who, during the reference period, receive pay, a salary or wage in exchange for work provided to a public or private sector entity
 - » Domestic employees: Those individuals who realize domestic work in exchange for a salary in cash or in kind. This category includes: stewards, housekeepers, cleaners, cooks, washermen and washerwomen, babysitters, gardeners and motorists; whenever they work for a particular household.
- **Unpaid family worker:** A person that works for a family member without receiving monetary compensation. In general, family workers live in the home of the household head.

Categories of inactivity

A response was coded as “other kind of inactivity” when the respondent reported having been in the following conditions in the past week:

- advanced age,
- retired,
- pensioned,
- disabled,
- minor,
- idle,
- temporarily ill, and
- other.

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.

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 are⁶:

- **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

⁶ 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 EPHPM:

- **Owned outright:** Includes respondents who indicate being the owner of a home and having paid for it completely.
- **Occupied (de facto ownership):** Includes the following four tenancy categories – i) legally reinstated home owner, ii) reinstated home owner without legal certificate, iii) transferred without payment, iv) received in exchange for work/services.
- **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, the household head must have indicated that he receives this electricity in one of the following ways – a) public service, b) private collective service, c) own production d) solar energy.


Use of remittances

To determine how a remittance was used, a respondent was asked to indicate one or more options from a list of corresponding expenditure categories (see the documentation of the EPHPM for this list). In this analytic brief, “consumption” corresponds to the category “food, clothing and home equipment expenditures”, “home investments” combines the two original categories “home (construction, amplification, reparation, mortgage down payment), and “purchase of house/land”. “Other uses” includes the original categories “purchase of agricultural inputs”, “debt repayment”, “enterprise (purchase of merchandise, machine, tools, or vehicle for business purposes)”, “purchase of agricultural lands”, “purchase of animals”, and “others”. A household was coded as using their remittance income for one of these purposes if at least one household member reported doing so.

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