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The Rationale for Remittances

Though there have been many studies of the rationale for migration, there have been virtually no studies on the specific rationale for sending remittances. Decisions to migrate are often made by families and rarely by individuals. Migrants leave to meet certain family expectations the key one of which is remittances. Indeed to some extent there is an implicit contract that they will be sent, and the costs of not doing so may be high. Future family solidarity; rights to inherit family assets, especially land; and prestige in the village community may be at stake (Ahlburg 1991; Macpherson 1994).

There is a general expectation that migration will benefit extended households and sometimes even whole clans or villages as it did in the early years of migration in Papua New Guinea and that it may continue to do so through support for village organizations. Overall, migration is expected to improve both the living standards of those who remain at home and the life styles and incomes of the migrants. More specifically, in rural areas and home islands as in Tonga, "...migration and remittances ...are perceived solely as a means for improving family incomes and welfare rather than for direct or indirect national economic development" (Morton Lee 2004; Tongamoia 1987). In Samoa migrating was simply, "Cto seek wealth for all" (Muliaina 2001).

The underlying economic rationale for migration and for its benefits extends beyond the households in the Pacific islands so that the, "...international scale of family operations, still tied to kin at home... would equal or exceed in value the Tongan national product" (Marcus 1981). Developing this notion, Bertram has suggested that Tongan and other similar households are characterized, "...by remittance transfers among various component parts of the transnational corporations of kin which direct the allocation of each island's family labour around the regional economy" (1986). Consequently, "...families deliberate carefully about which members would be most likely to do well overseas and be reliable in sending remittances" (Gailey 1992b; Cowling 1990).

Not surprisingly, the significance of remittances at the household and national levels has led to concern over the possibility of future declines due to changing migration rates, recessions in host states, or other factors (Miles *et al.* 1992; Marcus 1993; James 1991; Campbell 1992). Though remittances

are driven by family and community needs and to some extent by the savings and investment objectives of migrants and their families, they are strongly affected by income levels in host countries and are thus vulnerable to recessions. There is little that can be done about such fluctuations except to be aware of their existence and to make some provision for their occurrence. One strategy is to attract and retain migrant savings to invest in businesses in such periods.

The most detailed accounts of the intended purposes of remittances (which were not necessarily the ultimate uses) were conducted among Tongans in Auckland and Sydney (Fuka 1985; Tongamoa 1987). Both these studies found four principal intended uses for cash. The first was for subsistence which covered daily grocery needs and minor church, school, village and family obligations. Some 79% of remitters in Auckland and about 85% in Sydney sent money for these expenses. Subsistence money was especially important in households of elderly couples and teenage girls with no one to grow food crops. These basic needs have become less significant over time.

The second purpose was for church donations. In Tonga, regular donations are expected from and allocated to church members, and substantial donations bring considerable respect and status. This category is likely, therefore, to be significantly higher for Tongans than for other migrant groups. Approximately half of Tongan remitters in Auckland and 76% in Sydney sent remittances for church donations. The third intended purpose was for school fees matching the significance attached to formal education in the Pacific, and the fourth was for major family occasions such as funerals, birthdays, and weddings. Such remittances are obviously intermittent although they are often large. Beyond these four principal objectives, there were a variety of other intentions including the building or purchase of houses, the establishment of a local business, or the purchase of a vehicle.

Samoans in Auckland saw themselves as having a series of remittance targets to achieve: repayment of a family loan, building a family house, contributing to a wedding, bestowing chiefly titles, and contributing to funeral expenses (Muliaina 2001). Purchasing airfares is also a common use. Building a European-style house has always been a key goal of most migrants since it is a symbol of achievement. Many apparently permanent migrants remit money for the construction of permanent houses for themselves that are used by kin or rented out in their absence. Migrants also frequently send remittances to cover the needs that follow crises. Cyclones have been the single most important trigger as was evident in Samoa in 1991 and 1992 (Muliaina 2001), after Cyclone Heta in Niue in 2004, and in Tonga in 1982 and 1983 after the widespread damage caused by Cyclone Isaac (Fuka 1985).

Remittances for investment in or purchase of local businesses have become increasingly significant especially for corner stores, for fishing (including boats and gear), and for taxis. Those who sent remittances to invest in shops stated that this was a means of ensuring that the recipients had a ready supply of cash. In due course they may also benefit the remitter if he or she returns. Although both shops and vehicles absorbed a very small proportion of all remittances sent from Auckland and were non-existent in Sydney in the early and mid-1980s (Fuka 1985; Tongamoia 1987), in later years their significance grew considerably (Faeamani 1995; Small 1997) as consumption shifted to investment. Moreover while Samoan migrants believed that their remittances were used mainly for consumption (Walker and Brown 1995), in reality a significant proportion was used for investment as recipients were anxious for long-term benefits.

Migrants have also contributed to various collective endeavors in response to visiting groups' fund-raising activities such as dances organized by football teams or home villages to generate funds for equipment, water systems, or church roofs (Fuka 1985). In this institutional context there is probably a particularly high correlation between the intention of the remitters and the eventual use of the remittances.

Over the years, remitters have been more likely to respond to specific requests from home. Senders' intentions may therefore increasingly match those of the recipients. About 63% of Tongans in Auckland remitting in 1984 claimed to send money or goods *only* when kin in the islands requested it; in contrast 20% set aside a regular sum, and the remainder stated that they did both. Those who responded only to requests had their families mainly in Auckland whereas those who regularly set aside money had most of their families in Tonga (Fuka 1985). On balance, the evidence suggests that remitters respond rather than initiate and that the probability of migrants initiating rapidly declines over time.

The intentions of Tongan remitters in Sydney correlated closely with the uses specified by Tongans on the main island of Tongatapu. Remitters intended more to be used for ceremonials, and recipients intended to use more for agricultural development once again demonstrating recipients' interest in long-term benefits, but otherwise intentions and reality were very closely linked (Tongamoia 1987). Similarly, Tongans on Ha'ano requested remittances for specific purposes and senders responded rather than sending regular sums without a specific purpose (Evans 2001; Muliaina 2001). Both these cases suggest that other sources of income are not diverted from their usual purpose by remittance flows.

In the case of Cook Islanders in New Zealand, remittances have not simply been an automatic response to customary obligations, material

circumstances, or ceremonial requirements. Remitters have consciously weighed their own financial situations against ongoing (and new) obligations, life crises, and the changing circumstances of their relatives in the islands. Overseas migrants often maintain contact by letter, telephone, and visiting friends and are knowledgeable enough about the material circumstances of island kin to change their remitting practices to meet their perceptions of their kin's needs (Loomis 1990; Underhill, 1989). Thus migrant intentions have largely been determined by the needs of those at home. Although there appears to be a transition towards remittances on demand, again much more needs to be known before such a conclusion can be reached.

Finally, migrants actually transfer income for their own later use to finance retirement or to acquire assets such as real estate. In some instances, income is accumulated overseas and transferred as a lump sum at the time of the migrant's return (Ahlburg and Brown 1997). Whether such transfers can actually be defined as remittances is doubtful.

Perhaps surprisingly, but also significantly, some two-thirds of Tongans in Auckland were indifferent to how their remittances were actually used, and less than 1% was concerned about their specific use. Of this very small group, some complained that the use was different from what they had intended while others feared permanent demands for remittances. Only in Port Vila, Vanuatu, were strong sentiments expressed over the intended use of remittances. Migrants from outer islands preferred to send food rather than cash unless it was needed for something such as school fees or wedding expenses (Haberkorn 1989). Similarly skilled workers in Honiara, Solomon Islands, were more likely to contribute to rural education expenses (Bellam 1964).

Such statements and attitudes often indicate migrants' feelings that kin at home waste some of the remittances they are sent whereas other evidence suggests they are more likely to invest it. In the mid-1990s, Tongans in America complained that village people were eating remittances sent for public projects by redirecting the money to private consumption (Small 1997). Samoans in New Zealand complained of mismanagement and corruption (Macpherson, 1994) and for Tongans in Melbourne there was an, "...undercurrent of resentment for both receivers and remitters" (Morton Lee 2004). For the vast majority, however, doing one's duty was sufficient in and of itself and was the basis for the migration-remittances system. At the same time, doing one's duty disguises and inflates very valid reasons for maintaining contacts with home areas: remittances are a powerful element of social insurance for possible return.

Unfortunately, there are not enough good studies of the intended and actual use of remittances or their impact on other expenditures to draw parallels between the detailed case of overseas Tongans and groups elsewhere.

However, the correlation between intentions and actuality in these cases and the similarity between the intended and actual use in various circumstances suggests that these cases are fairly typical.

The proportion of income remitted by international migrants is usually high. In Auckland in 1984, Tongans were remitting on average some 12.8% of their net though the range was considerable (Fuka 1995). In Sydney in 1986, the amounts sent by Tongan migrants also varied substantially and were sometimes more than 50% of their incomes (Tongamoia 1987). These figures are unusually high, and suggest that migrants may have exaggerated their capacity to remit. Using survey data for Samoa and Tonga from both the remitting and receiving ends, it has been estimated that the average Tongan migrant in 1994 remitted US\$2,043 per annum, and the average Samoan migrant remitted US\$789. These represented 13.1 and 5.3% of average migrant income respectively (Brown 1995). Disproportionately fewer Tuvaluans in New Zealand remitted at all, and the average totals were much lower. Tuvaluans were, however, mainly concentrated in very low-paying jobs and had spent little time in the country (Simati and Gibson 2001).

Most studies of remittances have pointed to the sacrifices that migrants make and to the goods they forgo to support distant extended families. For Samoans,

As a result of the remittance economy immigrants to New Zealand may find it difficult to save the funds necessary for mortgages, hire-purchases and other financial transactions. Helen told me, 'You have this wonderful budget that works until someone dies the next week.' (Wurtzburg 2004)

For Tonga, it has been said that, "...overseas Tongans who continue to play the patron role to their relatives often bankrupt themselves in the process and to avoid this must either give to fewer relatives, give more intermittently or give less than is needed or wanted" (Small 1997).

In the particular case of migrants from Kiribati and Tuvalu working on international shipping lines, the amount of money to be remitted is negotiated between the seafarer and his dependents prior to departure and is written into the contract. In most cases this is usually around 70–80% of earnings leaving the rest for the seafarer to spend or save during his contract. Those high percentages are not always reached, however, because of deductions for over-expenditure on personal interests (often alcohol and the company of other women) and because of fluctuating exchange rates (Clark 2004). Seafarers also sometimes take advances on wages and spend money at stopovers on the way home thus decreasing the total (Dennis 2003).

Remittances in the Pacific

In many cases individuals and households transfer remittances between organizations or to organizations in the home country. In these transactions, expectations are very likely to match outcomes. This institutional remitting has been well described for Tongans in Sydney. It is particularly evident in religious donations, for football teams of various kinds, for brass bands, for women's groups, and for various development projects. Fundraising is carried out at social functions such as concerts, kava parties, and dances (Tongamoa 1987; Connell 1991; Macpherson 1994). Even migrants who do not otherwise send money or goods tend to contribute to these collective efforts (Morton Lee 2004). Although a substantial amount of money and goods flows through institutional channels, the less regular nature of these transfers has meant that there are few if any estimates of their significance.