Remittances and its association with economic capacity, ties to destination and origin country

A dynamic approach with a UK perspective

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Abstract

The overall purpose of this thesis is to study the association between remittances, socioeconomic status and ties to destination and origin country among immigrants and the second-generation in the UK.

The data stem from wave 1 and 4 (2009 and 2013) of the Understanding Society - The UK Household Longitudinal Study (UKHLS). Two Models are specified. The first one is cross-sectional and places an explicit focus on remittances to family and friends. The second Model utilizes longitudinal data to study the dynamics between remittances and employment status. Employment status is the main independent variable in both Models.

The main findings harmonize with previous research indicating that while economic factors are important, other factors, for example, family bonds and time since migration, can be of equal weight for the understanding of remittances. Relative to an immigrant, the second generation is found to have significantly lower odds of remitting to family and friends and to remit for any reason. It is likely that an intricate mix of individual capacity, incentives and desires guide the decision to remit, making it a truly multifaceted phenomenon.

Keywords: remittances, dynamics of remittances, desires and incentives, economic capacity, immigrants and the second generation.
1. Introduction

Transnationalism has attracted interest for a long time. Already back in 1916, Randolph Bourne wrote an article in The Atlantic (US), called “Transnational America” as an answer to the ongoing societal discussion about the influx of immigrants following World War I. Bourne claimed that migrants who kept their cultural heritage and identities while adapting to life in the new country created the base for a progressive society.

“The foreign cultures have not been melted down or run together, made into some homogeneous Americanism, but have remained distinct but cooperating to the greater glory and benefit not only of themselves but of all the native 'Americanism' around them.” (Transnational America 1916, The Atlantic)

Today is no different as immigration is a frequently discussed topic in the Western world, and in Europe the socio-political development and related political debates spur an ever-increasing need of research that relate to immigrant ties with origin and immigrant integration. Research that focuses on the UK seems especially needed since the University of Oxford (2011, The Migration Observatory) revealed that the British public have a very weak image of what the actual immigrant composition looks like, resulting in a general poor understanding of what challenges and benefits to expect in relation to UK migration. (Thinking Behind the Numbers 2011, The Migration Observatory), (Migration Statistics Quarterly Report: Feb 2017, Office for National Statistics).

Existant research on transnationalism provides a mixed picture of what characterizes transnational individuals. Some scholars suggest that transnationals are well-rooted in their country of residence, for example (Portes 2001; Castles, Haas, Miller 2014), while others present a conflicting view (Portes, Guarnizo, Landolt 1999; Schunk 2014). The lack of knowledge is important to address since accurate and updated knowledge not only could facilitate the integration process of immigrants but also alleviate problems with xenophobia. To do so, however, the concept of transnationalism must first be operationalized and therefore this thesis places an explicit focus on remittances since they are one of the most important manifestations of a transnational lifestyle - affecting private and public relationships on a global level (Vertovec 2004). The population under study is immigrants and the second generation in the UK. Remittances are used as an indicator of ties to the origin country i.e. a symbol of the intricate and dynamic network of ties that bind together migrated individuals
with peers that reside in other parts of the world (Cliggett. 2005); a type of connectedness that may come with substantial consequences for individual integration in the destination country.

The overall purpose of this thesis is to investigate the association between remittances and ties to the origin and destination country. In having that goal, previous studies (such as Carling 2008) that investigate factors which may be associated with remittances guides this research endeavor. And since individuals interested in remitting money likely choose their level of remittances based on their current life situation – a choice related to all other factors they deem important (Bradley, Green, Surette 2007) – both relative differences between individuals and remittance change over time will be investigated. Common to both frames of analysis is that remittances are understood to hinge on factors that relate to the individual’s economic capacity, incentives and desires to remit.

As a macro phenomenon, remittances are growing in volume and frequency. One important explanation for this trend is found in the fact that today’s technology offers unprecedented possibilities to connect with, and remit to peers that reside all around the world (Portes 2001; Portes, Guarnizo, Landolt 1999). The former is very important since remitters also are likely to grow in numbers simply because more and more people will be residing outside their origin countries in the future - a development which is driven by vastly different factors such as heavy conflicts in parts of the world, global capitalism that creates an ever-increasing need for immigrant labor in advanced countries and family adaption strategies (Portes 2001; Turner 2014; Münz 2008; Fine, Milkman, Iskander, Waldinger 2016; Lucas, Stark 1985).

Furthermore, grassroot remitters are no longer the only ones interested in seeing remittance flows function and grow; today a wide range of actors actively try to promote remittances being sent, for example grassroot transnationals, governments and hometown associations (Carling 2008; Carling, Hoelscher 2013; Mahler 2000; Vertovec 2004). To better understand the magnitude of remittances, the potential effect it can have on people’s lives, statistics from the World Bank show that remittances account for a substantial share of GNP in many countries. For example, in India remittances account for 3.3 percent of GNP, in Pakistan the figure was 7.2, Bangladesh 7.9, Senegal 13.9, Togo 9.1, Haiti 24.7, and Nicaragua 9.4 (The World Bank April 2017).

Among research with a micro-level focus, considerable efforts have been put into analyzing factors that lie behind remittances and other transnational practices in a broader sense, see for example (Guarnizo, Portes, Haller 2003; Snel, Engbersen, Leerkes 2006; Carling 2008). The range of quantitative studies that place an interest in remittances and integration within a
European context is quite sparse. Schunk (2014) uses German data which suggest that remittances decline in frequency over generations while visits to parents’ origin country remain strong among the second generation (Schunk 2014). Likely both strength and type of relationship to other countries, most often country of origin, affect the desire to remit while, factors present in country of residence mainly affect the capacity to remit e.g. employment status (Carling, Bivand Erdal, Horst 2012). While not controlling for family ties at the origin, the results of Fairchild and Simpson (2004) suggest that time since migration may be negatively associated with remittances. Family ties at origin should, in general, indicate an ardent desire to remit and while controlling for this factor the results of Brown (1997) show that time since migration could have a non-significant effect on remittances. Previous research has indicated that income may be non-significantly associated with remittances (Carling 2008). However, most likely, this association is not readily measured since many factors and intervening variables may affect the association. For example, within migrated individuals network, various possible recipients of remittances may think of the migrated individual’s economic capacity differently. Such differences may in turn affect an individual’s relative proneness to ask for or imply that they need, or demand remittances being sent to them. Migrants may also be aware of the actual needs of receivers of remittances. To take an example, when remittances are aimed at close family who still reside in conflict zones, it is not unlikely that the migrated individual may regard sending remittances to be of crucial importance, possibly to be just as important as buying food and paying for the rent (Carling, Bivand Erdal, Horst 2012). Yet other research more plainly indicates that income does matter and that its association with remittances should be positive (Brown 1997; Marcelli, Lowell 2005). Snel et.al 2006 conducted quantitative analysis on the integration of ethnic minorities in the Netherlands, controlling for both remittances and other transnational activities, and found that transnational activities in general does not necessarily result in poor integration prospects (Snel et.al 2006).

This introduction is not only meant to familiarize the reader with the field of remittance studies, it is also meant to show that there exists a need for research that account for the dynamics of remittances. By analyzing factors that relate to individual economic capacity, incentives and desires to remit in conjunction with the dynamics of remittances a valuable contribution to the field of remittance studies could be made.

Attempting to undertake such a research endeavor, this thesis places an explicit focus on factors that relates to individual economic capacity and ties to the origin and destination
country through two different models. The first Model is a simple logistic regression model that utilizes cross-sectional data and the second Model is a multinomial logistic regression model in which longitudinal data is used to account for the dynamics of remittances. In Model 1 “remittances to family and friends” serve as dependent variable while Model 2 uses “remittances for any reason” as dependent variable. In both Models’ labor market status is the main independent variable.

The data used in this study is Understanding Society – UK Household Longitudinal Study (waves 1 and 4, 2009-2013) a dataset that, to my knowledge, has not been used for this research purpose. The survey is based on a representative probability sample of UK households, it is very detailed and contains data on the household level as well as the individual level, constituting a solid foundation for this thesis.

2. Theory and literature review

The purpose of this thesis is to achieve a better understanding of how a transnational lifestyle, indicated by remittances, is associated with ties to origin, ties to destination and economic capacity i.e. socioeconomic status (S.E.S). Remittances are one of the most important and notable manifestations of transnationalism, readily seen by the influx of capital into developing countries as they affect both private and public relations on a global level (Vertovec 2004; Glick Schiller, Basch, Blanc-Szanton 1992; Orozco, Lapointe 2004). To borrow a phrasing from Portes (2001), this thesis takes remittances to:

“…represent goal-oriented initiatives that require coordination across national borders by members of civil society. These activities are undertaken on their own behalf, rather than on behalf of the state or other corporate bodies” (Portes 2001:186).

Thus, in this thesis remittances are seen as an outcome of the intricate and dynamic network of ties that bind together migrated individuals with peers residing in other parts of the world (Cliggett 2005), i.e. a type of connectedness that may come with substantial consequences for individual integration in destination country.

Likely both type and strength of relationship to other countries, often the country of origin, strongly affect the desire to remit while factors present in country of residence mainly affect capacity to remit e.g. employment status and level of income (Carling, Bivand Erdal, Horst 2012). Therefore, it is common to distinguish between incentives and desires to remit and
capacity to remit. The concepts are complementary and equally important for understanding why people remit and what effect remittances might have on their lives. As a result, the following theory and literature review consists of two main-sections focusing on i) individuals’ desires and incentives to remit, and ii) their capacity to remit.

2.1 Remittances, desires and incentives to remit
To remit is an economic act but it should be stressed that underlying reasons for remittances often relate to social, socio-cultural and/or political goals (Landolt 2001). It has been suggested that some individuals experience a very strong social pressure to remit (Carling, Bivand Erdal, Horst 2012), possibly reflecting the fact that many migrated individuals feel strongly for peers and their causes in the origin country. Therefore, to remit could be regarded to be as important as obtaining other essentials in life like food and paying for the rent, sometimes making individuals remit despite very low-income levels e.g. living on welfare (Carling 2008).

In an influential work, Lucas and Stark (1985) advanced our understanding of how and why migrants feel a strong social pressure to remit by looking at agricultural hardships in Botswana. They find that families in need are more likely to receive remittances e.g. for securing (by purchase of water rights) enough water for all live stock during a drought and conclude that farming families who have allocated parts of their families in urban areas use these individuals to hedge against loss of income in the farming business (Lucas, Stark 1985). Their finding is very interesting since it clearly emphasizes the need-based perspective for understanding why people remit, but also because it shows that families can use remittances to avert risk. The risk aversion perspective indicates a situation of mutual benefit in which the family back home helps one or more individuals to reach an uncorrelated labor market and support them until they find a steady job. This might be very important since many migrants need some time getting into the local labor market (Obućina 2013). In return, migrants will provide for the family through remittances whenever need arises, which can be understood as a contractual agreement (Stark, Bloom 1985), an agreement that is meant to increase the aggregated family wealth. This type of reasoning relates to the new economics of labor migration which emphasizes the need for analyzing migration decisions with the interest of the whole household in mind and consequently the new economics of labor migration opposes the traditional neoclassical approach which suggests that migration decisions should be understood as individual choices made to maximize life-time earnings (Carling 2008). Lucas and Stark (1985) also point out that remittances may be sent for purely altruistic and egoistic
reasons, which is important since remittances under certain circumstances might function more as an investment. To clearly differentiate between remittances and investments is beyond the scope of this thesis, but it is important to acknowledge that the two might blend together. Migrated individuals may for example want to remit because he or she stands to inherit one day, or possibly the individual is planning for a return migration (Gubert 2002; Carling 2008). Such background motives for remittances could make them resemble investments and thus remittances may affect investments and investments could affect remittances (Carling 2008). Also, it is important to regard if contacts in other countries are family ties or not. This since close family are especially likely to be recipients of remitted funds e.g. parents and spouses (Carling 2008). A fundamental realization about the functioning of remittances is that time since migration might have only a weak correlation with odds of sending remittances. This because, type of bond to another country likely is much more important e.g. a person could remit for as long as parents need the additional money and end abruptly as soon as they are reunited or if the parents pass away. It has also been found that individuals who are accompanied by the closest family when migrating less frequently are remitters and if they remit they often remit relatively smaller sums (Carling 2008). Controlling for kinship ties at origin, Brown (1997) concludes that there is no evidence for remittances to decline over time while Fairchild and Simpson (2004) fail to control for family bonds to the origin country and conclude that time since migration is negatively correlated with sending remittances. To sum up, a possibility is that remitters are most common among migrants who have had enough time in destination country to achieve an adequate economic situation for sending remittances, but not resided in the destination country so long that they have lost contact with their origin country. Thus, the relationship between time since migration and remittances could resemble an inverted U-shape (Carling 2008). Findings on gender seem to suggest that men are more frequently remitters and that they remit more (volume) than women (Carling 2008), but the estimated association vary much across research and some research suggest that women remit more than men (Posel, 2001; Brière, Janvry, Lambert, Sadoulet 1997). Most likely local historical contexts and customs dictates incentives and affect the proneness to remit of men and women differently. One explicit example of what could cause differences between the sexes in remittances is provided by Osaki (2003) who explain that tradition in Thailand advocates that women should be supplementary breadwinners in general and that young women in particular should provide for their parents (more so than men). Therefore, among migrated Thai women this tradition should make them more likely than men to remit money back home to their parents. Age on
the other hand, given controls for time since migration, has generally been found to be positively associated with the sending of remittances (Carling 2008). Taken together, it seems reasonable to assume that type of bond to origin country is of ultimate weight, but also that remittance behavior must be understood with local customs and traditions in mind, a research area that can be argued to deserve more attention. Other closely related and interesting research on determinants of remittances shows that there could be a bilateral relationship between homeownership and remittances. This as a person’s housing tenure status could relate both to her capacity as well as her desire to remit, which makes this factor hard to categorize according to capacity and desire to remit. In a small but deep Canadian study, one respondent explains how the pressure to remit deprived him of the possibility to own a home and to buy a relatively new car (Johnson, Stoll 2013). A similar finding is reported by Bradley, Green, Surette (2007) who looks at tenure choices among 1400 Mexican-heritage households in the United States. They find that individuals who remit back to Mexico also were less likely to be homeowners. Controlling for residency status, they also find that length of stay in the US and housing tenure are non-significantly associated, which is unexpected. In any case, it is possible that such results really are a manifestation of stable preferences that apply to the relationship between remittances and housing tenure. For example, owning a home may come with a more strained budget, which for a very long time, prevents the person from remitting i.e. affecting their capacity to remit. But it could also be that someone who is very attached to their origin country prefers remitting over buying a home at the destination. Furthermore, it is plausible that individuals who prefer remittances over homeownership also are more likely to return to the origin country one day (Bradley, Green, Surette 2007). At least, many authors do agree on the point that homeownership signals long-term commitment to the host society e.g. (Alba, Logan 1992; Constant, Roberts, Zimmermann 2009; Bradley, Green, Surette 2007).

Part of return plans may be keeping the origin country citizenship while living in the destination country, but research on keeping the origin country citizenship and integration into host society is inconclusive. Two conflicting views are presented by Spiro (2002) and Kastoryano (2002). Spiro suggests that dual-citizenships may improve individual integration outcomes by enabling more possibilities for professional and personal advancement, while Kastoryano predicts that dual citizenships may cause confusion. For example, Kastoryano asks, from where should an individual derive social security, identity and general cultural values? The host country, the origin country, or maybe a mix? In any case, the general trend
since the Cold War has been to allow dual citizenships in the US (Spiro 2002), and in many other countries as well (Portes 2001) which emphasizes the need for additional knowledge on how citizenship may be associated with remittances. When theorizing about the relationship between undocumented immigrants and remittances the relationship could be argued to be positive. This is plausible because the undocumented should have relatively stronger incentives to keep their origin country ties in case they no longer can stay in the destination country (Fairchild, Simpson 2004). However, being undocumented comes with several drawbacks that affect educational and normal career prospects which directly affect potential income levels and possibilities to remit (Massey, Sanchez 2005; Portes, Rumbaut 2001; Konica, Filer 2009).

2.2 Remittances and the capacity to remit
Labor market integration is a crucial measure to regard when working with remittances since it is a major determinant for individual capacity to remit. If individuals come to stand beside the labor market they are much more likely to have a harder time getting by in everyday life. Not only because of a strained budget but also because social exclusion and lower subject well-being are unfortunate, but plausible, results of not being integrated on the labor market (Bynner, Parsons 2002), which taken together likely affects remittances.

Existant research on remittances and labor market integration tell different stories depending on if the individual is found on the receiving or sending end of the remittance line. The empirical results of Kalaj (2013) study suggest that receiving remittances is negatively associated with women’s labor market participation and hours worked, but not with men’s. Using Haitian data, the country in which remittances account for the highest share of GNP in the world (The World Bank April 2017), Jadotte and Ramos (2016) also find that receiving remittances is negatively associated with labor market participation and hours worked. However, since above articles look into outcomes of non-migrants their focus is in some ways the opposite of this thesis and when analyzing those who send remittances to their origin country it has been suggested that economic integration and remittance sending is complementary rather than competing (Carling, Hoelscher 2013). Given the family adaptation perspective that was pioneered by Lucas and Stark in 1985, a complementary relationship between labor market integration and remittances seems to be the expected one i.e. an economically more rooted situation in the destination country should facilitate engagement in transnational activities such as sending remittances (Hammond 2013) and therefore we would expect emigrated individuals to make great efforts to become employed in order to be
able to remit money back home. There also exist findings which indicate that income may have a non-significant effect on remittances (Carling 2008), which at first glance seem to contradict the above. Yet, going a bit deeper, it was found that individuals may remit despite having little income e.g. living on welfare (Carling 2008), at least if the perceived need of receivers or social pressure to remit is high enough (Carling, Bivand Erdal, Horst 2012). This indicates that income levels only are of relative importance for the capacity to remit. That is, even if a person is living on welfare and has only a small amount of money to remit, someone in another country might have great use of whatever amount of money that can be remitted. However, relating to the income-decay hypothesis, which suggest a negative association between remittances and time since migration, other research not only suggest that income has a positive effect on remittances but also that a rising income could make remittance-decay over time much less prominent (Brown 1997). It has also been shown that large investments on average decrease individuals’ capacities to remit following the investment, which indirectly point out income and/or liquid assets in general as important determinants for remittances (Marcelli, Lowell 2005). With UK data, Clark and Drinkwater (2007) found that “households located in areas with the highest proportion of co-ethnics had a lower probability of remitting and this was statistically significant at the 10 per cent level.” (Clark, Drinkwater 2007:727). In England and Wales, areas that are characterized by a very high proportion of co-ethnics are also on average relatively deprived, i.e. individuals and households in these areas have low levels of wealth. And thus, the result of Clark and Drinkwater (2007) suggests that the possible positive effects on remittances which should follow on having many co-ethnics in one’s proximity may be reversed by low personal wealth or family wealth (Clark, Drinkwater 2007). To summarize, although findings on income and remittances to some extent are inconclusive the general view seem to be that income, and resources in general, is positively associated with sending remittances. Furthermore, the suggestion of Carling and Hoelscher (2013), that economic integration and remittance sending is complementary rather than competing, could indicate that remittance senders, on average, are not more or less marginalized than the average immigrant, not in an economic sense at least (Portes 2001; Castles, de Haas, Miller 2014).

In Britain, the existing immigrant population as well as recent immigrants have a skill composition that closely resembles the one found in the native British labor force. (Dustmann, Fabbri, Preston 2005) But still, male immigrants have a harder time finding a job than white males borne in the UK. Two explanatory factors for such differences are type of human
capital and employer preferences (Frijters et.al 2005), which in multiple papers have been suggested to be important for understanding differences in employment outcomes and earnings differences e.g. (Grand, Szulkin 2002; Dustmann, Fabbri 2003; Frijters et.al 2005; Borjas 2003). For this paper, such findings are important since an initial time of hardship, regarding employment, should make remittance sending much more likely. That is, given that Lucas and Stark’s (1985) theory about household adaption hold we would expect the migrated to be supported by the family back home during the initial time in the new country. When the migrated have become rooted, at least in an economic sense, we would expect the person to start remitting back home to repay what he or she owes, but also to ensure that the family can tackle economic hardships in a better way (Lara 2016), making remittances likely to be sent for a long duration of time once the migrant has achieved a sufficient capacity to remit. However, yet other findings indicate that increasing levels of country specific labor market experience and integration could lower incentives for sending remittances. The reasoning rests on the assumption that individuals become less dependent on contacts in the origin country as they become more securely rooted in destination country i.e. immigrants may come to feel a lesser need for remittances as their experience increases (Amuedo-Dorantes, Pozo 2006).

Looking forward, a growing interest in remittance flows from states as well as other types of actors e.g. Home town associations reinforce a currently growing remittance trend, partly by encouraging people to remit and partly by alleviating problems with cross-currency transactions (Carling 2008; Carling, Hoelscher 2013). By furthering our understanding of how various factors, both in origin and destination country, are associated with individual remittance outcomes, we can better understand what challenges and benefits that such a trend may bring about. Furthermore, it is plausible that individuals decide on what mix of remittances and other commodities e.g. housing, that best suit their current situation in life (Bradley, Green, Surette 2007). Therefore, the dynamics of remittances should be considered. Both as differences between individuals and by recognizing that factors change in individuals lives over time, affecting individuals’ capacity, incentives and desires to remit.
3. Research question

Previous research on how factors in origin and destination country and individuals’ economic capacities are associated with remittances indicates that associations are complex. Also, research relating to the topic is far from uniform and conclusive. For example, while being employed and sending remittances is suggested to be complementary rather than competing (Carling, Hoelscher 2013), the association between income and sending remittances seems to be unclear (Brown 1997; Carling 2008). Furthermore, while time since migration is suggested to be important in one study, in another that controls for kinship ties at the origin, time since migration is estimated to be non-significant (Fairchild and Simpson 2004; Brown 1997). Such findings strongly emphasize that incentives and desires that relate to destination and origin country factors and individuals’ economic capacity deserve more attention, and also that they should be part of the same analysis of remittances. For example, since the actual remittance decision may depend not only on the perceived need of receivers, but also on type of bond to origin country, e.g. spouse, parents, siblings or friends etc., which in turn are related to perceived capacity of the emigrated to remit, desires and incentives to remit must be said to hinge on the complete migration history which makes understanding remittances complicated. Therefore, previous research on remittances, economic capacity and integration, ties to origin and destination country motivates the following research question:

*How is sending remittances associated with ties to origin, ties to destination as well as economic capacity (S.E.S)?*

Furthermore, there exist good reasons to believe that sending remittances will become an even more common practice in the future (Portes, Guarnizo, Landolt 1999; Portes 2001; Turner 2014; Münz 2008; Fine, Milkman, Iskander, Waldinger 2016; Lucas, Stark 1985), and we should acknowledge that this expression of a transnational life-style may come with substantial consequences for individual integration in host society. In doing so, the aim of this thesis is to provide new insights that promote integration and alleviate problems with xenophobia by further enlightenment on the subject of remittances.
4. Data and methods

4.1 Data
The analysis uses Understanding Society – UK Household Longitudinal Study (UKHLS) waves 1 and 4 (2009 and 2013), which is based on a representative probability sample of UK households. Data is collected at a yearly interval and the same individuals are re-interviewed in successive waves (Knies 2016). One explicit goal of the survey is to enable research on immigration and ethnicity related questions by the inclusion of an ethnic minority boost sample (EMBS) which is meant to ensure inclusion of at least 1000 individuals from five target ethnic groups (McFall, Nandi, Platt 2016). The groups are: Indian, Bangladeshi, Pakistani, Caribbean and African, all of which are prominent immigrant groups in Great Britain (GB). Postal sectors in GB are used as primary sampling units (PSU). The analysis of this thesis includes both immigrants and children of immigrants (second generation), aged 15-65. Immigrants are defined as individuals born outside the UK and children of immigrants are regarded to be second generation if they are born in the UK but both their parents are born outside the UK.

The Understanding Society data allows for both longitudinal and cross-sectional analysis. The longitudinal analysis of this thesis is meant to increase our understanding of the dynamics of labor market integration and remittances. There are 2424 individuals who have complete information about remittances in both waves one and four (the two waves in which questions about remittances were asked). Waves one and four will from here on be referred to as periods one and two. The cross-sectional analysis is meant to facilitate our knowledge of the association between remittances and ties to destination and origin country. By person id, data from periods one and two are merged to obtain the largest possible analytical sample size, which is 5539 individuals. When estimating Models, appropriate weights, clustering and stratification variables provided by the Understanding Society team are used to account for issues that relate to the stratified sampling design of the survey e.g. that certain types of individuals cluster in certain residential areas. Use of correct weights, clustering and stratification variables ensure the most precise standard errors (Knies 2016). Lastly, for a detailed presentation of response rates see; (Knies 2016).
4.2 Models

4.2.1 Remittances to family and friends and the association with economic capacity (S.E.S) to remit, ties to origin and destination country

The first part of results relates to remittances in periods one and two but the analysis is strictly cross-sectional. The dependent variable is dichotomous and distinguishes whether individuals send remittances to family and friends or not. Multiple type questions relating to various aspects of remittances are asked in the Understanding Society survey e.g. if respondents remit, how much they remit and if the last remittance sent was the usual amount. However, since the research question of this thesis is best answered with simple yes or no questions about remittances only such variables were included. Available dichotomous questions about remittances in the dataset relate to, remittances as repayment of a loan, to family and friends, support for a local community and remittances as a personal investment or savings. Yet, remittances for reasons other than family and friends make up too small a group to be used as a control or reference group in this analysis. Only 136 individuals remit for other reasons and these individuals are therefore simply coded as non-remitters in this part of results. Non-remitters serve as the reference group. The main independent variable is also dichotomous and derived from a yes or no question that relates to if the respondent was employed or non-employed at the time of the interview. Non-employment is the reference category of the employment variable. Logistic regression is used to produce estimates in the form of odds ratios, that is, the odds of a reference group relative to a control group of being associated with the outcome. Control variables relate to economic, social, demographic, and ethnic aspects of individuals lives. Introduction of control variables can be done in numerous ways, for example a stepwise introduction. When constructing the Models’ diverse ways of introducing control variables were tested and evaluated, resulting in the choice of introducing all controls at once. The reason for this is that order of introduction matter, and such decisions must be clearly motivated. Given previous research there seem to be no unanimous conclusions about what factors matters most for remittances and how they are likely to affect each other. Thus, believing that all included controls could be equally important for the decision to remit, the choice of introducing all controls at the same time is the favored one. The goal of this first part of results is to improve our understanding of how economic
capacity, ties to origin and ties to destination country may be associated with remittances to family and friends.

4.2.2 The dynamics of remittances and economic capacity (S.E.S) to remit, ties to origin and destination country

In the second part of results, multinomial logistic regression is used to investigate and increase our knowledge about the dynamics of the association between employment status and remittances. The dependent variable is dichotomous and captures individual change in remittance sending over time periods one and two. The main independent variable is also dichotomous and relates to change in employment status over time periods one and two (see coding of variables below), allowing for analysis of the dynamics between employment status and remittances. In this regression setting, all available observations are needed since this part is longitudinal and also because the regression utilizes multiple outcomes, i.e. here remittances are not narrowed down to family and friends in order to achieve maximum sample size. In practice this means that individuals who remit are coded as one, and with that change (compared with the outcome variable of Model 1), the outcome variable in Model 2 tell if an individual remit for any reason in any of the two time periods. Controls are introduced in the same fashion as in Model 2 and given a certain set of predictor variables, the estimates represent relative risk ratios (RRR) of outcomes as a linear combination of selected predictors. Control variables relate to economic, demographic, and ethnic aspects of individuals lives.

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CHANGE IN REMITTANCES
Coding of dependent variable (Model 2)

0. Not remitting in any period. (base outcome)
1. Not remitting in period one → Remitting in period two
2. Remitting in period one → Not remitting in period two
3. Remitting in both periods
CHANGE IN EMPLOYMENT STATUS

Coding of main independent variable of interest (Model 2)

0. Not employed in any period (reference category)
1. Not employed in period one → Employed in period two
2. Employed in period one → Not employed in period two
3. Employed in both periods

4.3 Problems associated with method and measurements

Most postal sectors included in the EMBS belong to England, relatively few belong to Scotland and Wales and none belong to Northern Ireland. Extrapolation-wise, this could pose a problem if immigrants in Wales, Scotland and Northern Ireland are different in any relevant way from immigrants in England. The Understanding Society team is aware of this and provides appropriate weights to account for different sampling probabilities (Knies 2016). Thus, appropriate weights, and combinations of weight are used when producing results, so that survey design can be accounted for. However, Northern Ireland as an object of study falls outside the scope in this thesis.

Lacking some personal background data, I do not have the opportunity to regard cohort effects in this analysis. For example, maybe an immigrant is more or less likely to face a certain outcome given the political context, both in origin and receiving country, under which they migrated. This because e.g. different political contexts likely dictate types of migration (Carling 2008).

Some attrition, i.e. that individuals drop out from the study over time, exists and when comparing the samples of those who answered questions about remittances in period one with those who did so in both period one and two some differences are visible. A larger share of the sample who answered questions about remittances in both waves are women, they are older, more frequently remitters, immigrants has on average spent a longer time in the UK and they have children and are married to a higher extent. Education is the exception which is strikingly similar across samples. Attrition always threatens to bias results but this type of bias
is not readily measured and the purpose of this piece of text is merely to inform the reader of this fact.

5. Hypotheses

Elaboration of hypotheses demand that extant research and possible research progress are critically assessed, in this process all presented research has been taken into account. However, some research has been considered to carry extra weight when constructing the three hypothesis that are presented below. The works of special weight that I refer to are mainly: (Carling, Hoelscher 2013; Carling. J, Bivand Erdal. M, Horst. C. 2012; Carling 2008; Lucas, Stark 1985). Together they suggest that ties to origin, destination and perceived capacity to remit, represented by employment status and income (S.E.S), should be crucial factors to regard in a research setting such as this one. Therefore, three different hypotheses will be tested, one that relates to the association between remittances and individual capacity to remit, a second one that relates to ties to the origin and a third one that relates to ties to the destination

Hypothesis 1: Remittances are positively associated with capacity to remit i.e. S.E.S

Hypothesis 2: Remittances are positively associated with ties to origin

Hypothesis 3: Remittances are negatively associated with ties to destination

Hypothesis 4: A positive labor market transition is associated with an increased risk of sending remittances, the reverse is true for a negative labor market transition.
6. Results

6.1 Remittances to family and friends and the association with economic capacity to remit, ties to origin and destination country

Descriptive statistics

In this first part of results, the association between remittances to family and friends is investigated by economic capacity to remit and by ties to origin and destination country. Individuals in the working ages 15 to 65 are included and 1157 individuals remit to family and friends which sums up to ~21% of the total analytical sample. Looking at remittances to family and friends by employment status, the employed remit to a much larger extent as 40% of the employed remit while the same figure among the non-employed is 15%.

Results of Model 1

Beginning with employment status which indicates if the individual was employed at time of the interview, the estimate suggests that the employed have roughly twice the odds, relative to the non-employed, of remitting to family and friends. The continuous variable age is not significantly associated with the outcome. A squared age term, to test for non-linearity, was also evaluated but it did not alter results in a significant way, also the square term turned out to be non-significant and therefore it was left out of the final Model. Men have larger odds than women of remitting to family and friends. This is interesting since the results of extant research are mixed, sometimes indicating that women could be the principal remitters (Carling 2008; Brière, Janvry, Lambert, Sadoulet 1997; Osaki 2003; Posel, 2001). The non-uniformity of results likely indicates that interesting findings can be had by the adoption of a stronger gender and cultural focus when doing research on remittances. The variable years in the UK and second generation uses immigrants that have spent 7-12 years in the UK as reference category, a choice that is based on the belief that individuals in that category should have had enough time to get established and accustomed to ways of life in the host country, giving them good possibilities to remit. Compared with the reference group, individuals who has spent a shorter as well as a longer time in the UK have lower odds of remitting to family and friends. It is possible that those who has spent less time than the reference group in the UK have a lesser capacity to remit and that those who has spent a longer time in the UK have lost contact with the origin country, making both groups lesser remitters (Carling 2008).
Compared with the reference group (immigrants), the second generation have roughly half the odds of remitting to family and friends.

The variable “home ownership” has received some special interest in this thesis since previous research has suggested that home ownership, not only indicates a strong tie to destination, but also that the costs associated with homeownership might alter individuals’ or families’ capacity to remit (Johnson, Stoll 2013; Alba, Logan 1992; Constant, Roberts, Zimmermann 2009; Bradley, Green, Surette 2007). In Model 1 the variable turns out non-significant for remittances to family and friends. As a test, all controls but home ownership was removed, but still its association with remittances to family and friends turned out non-significant. Keeping employment status as main independent variable and home ownership as the only other control, home ownership receives a significant estimate which suggests that home owners are less likely to remit to family and friends (OR=0.699 | p<0.05 |). In doing this test it is also interesting to report that employment status seems to be stable across model specifications (also compared with Model 1). As the only included variable, employment status receives an odds ratio of 2.65 and with tenure included as only other control the odds ratio estimate is 2.69, both significant at the one per cent level (results available on request).

Thus, even though home ownership turns out non-significant in Model 1, it is likely to affects remittances to family and friends to some degree. Maybe this particular association requires a more dedicated focus to be properly understood, for example, inheritance has been shown to be an important factor for understanding what characterizes the average homeowner (Alba, and Logan 1992; Constant, et.al 2009; Rowlingson 2012; Hamnett 1991). Homeownership could also relate differently to different types of remittances, but lacking the possibility to extensively test such relationships the variable homeownership will not be included in Model 2. The variable married or in a registered partnership with a same sex partner is a dummy variable that relates to people who live with their partner in the UK. The variable estimate is 1.855 and significant at the five per cent level, suggesting that marriage or registered partnership with a same sex partner increases the odds of remitting to family and friends.

Non-excluding explanations for the finding could be that marriage or partnership is associated with a stronger financial situation, allowing remittances to be sent, or that new family members which need remittances enter the picture. The variable citizen of country of birth tells if the individual has kept his or her origin country citizenship while living in the destination country and the variable responsible for one or more children aged below 18 relate to children (any number of children) within the UK household, however, both turn out to be
non-significant. But on the other hand, the variable one or both parents never lived in the UK produce a highly significant estimate indicating roughly twice the odds of remitting to family and friends if the individual have at least one parent that never have lived in the UK. The variable highest educational attainment uses other schooling as the reference category and secondary, upper secondary and at least some college as comparison categories. To achieve this educational classification British educational qualification levels had to be converted into the international classification of education (ISCED). However, no estimate of this variable is associated with a 10% > significance level.

The variable income groups relate to monthly income in British pounds and the reference category includes those who earn less than 2000 £ per month in labor income. The income category, 2000£ < income < = 3000£, produces a significant estimate which indicates that individuals belonging to the category have more than twice the odds of remitting to family and friends relative to the reference category. Interestingly, earnings beyond this level are not significantly associated with greater odds of sending remittances to family and friends.

The variable ethnicities derive from self-assessed ethnic belonging and uses Indians as reference category. Caribbeans and Africans are estimated to have significantly higher odds of sending remittances to family and friends. The estimate of Africans is 3.143 which makes the group stand out, an explanation likely revolves around the fact that living conditions in many African countries are hard and the need for remittances great, see for example Carling, Bivand Erdal, Horst (2012); Hammond (2013).
Table 1. Logistic regression model, coefficients as odds ratios
Dependent variable: Remitting to family and friends.
Individuals (immigrants and the second generation) in the working ages: 15-65.

<table>
<thead>
<tr>
<th>Model 1</th>
<th>Outcome 1 (R detriment to family and friends)</th>
<th>Descriptive Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rounded figures</td>
<td></td>
</tr>
<tr>
<td>In paid employment (ref=non-employed)</td>
<td>2.024**</td>
<td>52%</td>
</tr>
<tr>
<td>Age</td>
<td>1.006</td>
<td>36 years (mean)</td>
</tr>
<tr>
<td>Male (ref=female)</td>
<td>1.559*</td>
<td>46%</td>
</tr>
<tr>
<td><strong>Years in the UK and second generation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Years in UK = 7-12 (ref)</td>
<td>1</td>
<td>17%</td>
</tr>
<tr>
<td>Years in UK = 0-2</td>
<td>0.431***</td>
<td>7%</td>
</tr>
<tr>
<td>Years in UK = 3-6</td>
<td>0.597*</td>
<td>13%</td>
</tr>
<tr>
<td>Years in UK &gt; 12</td>
<td>0.525***</td>
<td>36%</td>
</tr>
<tr>
<td>Second generation (ref=immigrant)</td>
<td>0.515**</td>
<td>27%</td>
</tr>
<tr>
<td>Home owner in Britain (ref=tenant)</td>
<td>0.930</td>
<td>45%</td>
</tr>
<tr>
<td>Married or in a registered partnership (ref=no)</td>
<td>1.855**</td>
<td>54%</td>
</tr>
<tr>
<td>Citizen of country of birth (ref=no)</td>
<td>1.253</td>
<td>21%</td>
</tr>
<tr>
<td>One or both parents never lived in the UK (ref=no)</td>
<td>2.013***</td>
<td>53%</td>
</tr>
<tr>
<td>Responsible for one or more children aged below 18 (within UK household) (ref=no)</td>
<td>1.274</td>
<td>30%</td>
</tr>
<tr>
<td><strong>Highest educational attainment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other schooling (ref)</td>
<td>1</td>
<td>25%</td>
</tr>
<tr>
<td>Secondary school</td>
<td>1.242</td>
<td>21%</td>
</tr>
<tr>
<td>Upper secondary</td>
<td>1.048</td>
<td>14%</td>
</tr>
<tr>
<td>At least some college</td>
<td>0.952</td>
<td>40%</td>
</tr>
<tr>
<td><strong>Income groups, monthly labor inc in £</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income &lt; 2000 (ref)</td>
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<td>75%</td>
</tr>
<tr>
<td>2000 &lt; income &lt;= 3000</td>
<td>2.239**</td>
<td>9%</td>
</tr>
<tr>
<td>3000 &lt; income &lt;= 4500</td>
<td>1.609</td>
<td>5%</td>
</tr>
<tr>
<td>Income &gt; 4500</td>
<td>1.157</td>
<td>2.5%</td>
</tr>
<tr>
<td>Income support</td>
<td>1.323</td>
<td>9%</td>
</tr>
<tr>
<td><strong>Ethnicities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indian (ref)</td>
<td>1</td>
<td>18%</td>
</tr>
<tr>
<td>Pakistani</td>
<td>1.280</td>
<td>16%</td>
</tr>
<tr>
<td>Bangladeshi</td>
<td>1.430</td>
<td>17%</td>
</tr>
<tr>
<td>Caribbean</td>
<td>1.673**</td>
<td>10%</td>
</tr>
<tr>
<td>African</td>
<td>3.143***</td>
<td>16%</td>
</tr>
<tr>
<td>Other Ethnicities</td>
<td>0.566**</td>
<td>24%</td>
</tr>
<tr>
<td><strong>CONSTANT</strong></td>
<td>0.044***</td>
<td></td>
</tr>
<tr>
<td>dfres</td>
<td>2871</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>5539</td>
<td></td>
</tr>
</tbody>
</table>

* p<0.10, ** p<0.05, *** p<0.01
6.2 The dynamics of remittances and the economic capacity to remit, ties to origin and destination country

Descriptive statistics

Over the time periods a majority of remitters exhibit a stable behavior regarding remittances. Roughly 26% start or stop sending remittances in the second period and those who send no remittances at all constitute ~59% of the sample and thus, ~15% remit in both periods. Remittance behavior over periods 1 & 2 is used as the outcome variable and change in employment status over the time periods serve as the main independent variable in this second part of results. A closer look at the main independent variable show that, in rounded numbers, 33% are non-employed in both periods, 46% are employed in both periods and slightly above twenty percent experience a change in employment status in period 2. Evidently there is quite a lot of change in these two variables over time and one purpose of Model 2 is to give an answer to if a change in employment status is significantly associated with a change in the sending of remittances.

Results of Model 2

As compared to individuals who are non-employed in both periods, experiencing a positive labor market transition is associated with a higher likelihood of starting to send remittances. A reversed pattern is visible among those who lose their job, as a negative labor market transition is associated with an increased likelihood of remittance termination. The relative risk ratios of the former and the latter are both roughly 3.5 and they are significant at the one per cent level i.e. changes in the remittance behavior are clearly associated with changes in
the labor market status. Relative to individuals who are non-employed in both periods, those who are employed in both periods are approximately four and a half times more likely to remit in both periods vs. the base outcome of the Model, non-remitter in both periods.

Whereas the above associations were largely expected beforehand, there also exist some less expected associations between labor market dynamics and remitting in both periods, findings which indicate that labor market status is not altogether deterministic for remittances. For example, looking at those who become employed in the second period and those who make the transition into non-employment in the second period, we find that both groups receive large and significant risk ratios of remitting in both periods vs. base outcome. Actually, the estimate for those who transition into non-employment in the second period is larger (~5.2 vs. ~4.6) than the relative risk ratio of those who are employed in both periods. This finding strongly suggest that some individuals remit also when facing economic downturns. All three estimates of outcome 3 (remitter in both periods) are significant at the one per cent level.

Interestingly, comparable results and conclusions already exist, for example in the works of Carling (2008) and Carling, Bivand Erdal & Horst (2012), making these findings a confirmation.

The continuous variable age turns out to be non-significantly associated with all outcomes relative to the base outcome. The variable male show what risk men have of remitting relative to women. Men are estimated to have a higher risk of starting to remit and to be more likely than women to remit in both periods. The variable years in the UK and second generation classify individuals according to length of stay in the UK or if they belong to the second generation. For outcome remitter in both periods the variable produces two highly significant estimates belonging to categories length of stay in the UK > 12 years and second generation. The first estimate is 0.516 while the latter is only 0.400 which, relative to the reference category (years in the UK = 7-12 years), indicates that individuals who belong to either of the two groups have only, roughly, half the risk of remitting in both periods vs. base outcome. This is in line with previous research, e.g. (Carling 2008; Schunk 2014), which has suggested that immigrants who has spent a relatively long time in the destination country and the second generation both are less likely to be remitters. The variable married or in a registered partnership with a same sex partner does not indicate that individuals who are married or in a partnership also are different remittance-wise from individuals who do not have said characteristics. The variable citizen of country of birth tells if the individual has kept his or her origin country citizenship while living in the destination country. Outcomes non-remitter
in P1 but remitter in P2 and outcome remitter in both periods suggest that individuals who still have their country of origin citizenship also have a higher relative risk of starting to remit and to remit in both periods. Given previous research, the estimates of the variable citizen of country of birth seem reasonable since a major determinant of remittances should be strength and type of bond to another country, often the country of birth (Carling, Bivand Erdal, Horst 2012). The variable one or both parents never lived in the UK measures a strong tie to the destination country and as such the obtained results are expected. For all outcomes the variable returns significant estimates that indicate higher relative risks of remitting for individuals that does not have both parents in the UK. The largest relative risk ratio belongs to outcome remitter in both periods and suggest that among individuals who have at least one parent that never have lived in the UK the relative risk of remitting in both periods, vs. base outcome, is 3.232 times larger (compared with the reference category, individuals who have both parents residing in the UK). The variable responsible for one or more children aged below 18 relate to children within the household but it returns only one significant estimate, on the ten per cent level, belonging to outcome non-remitter in P1 but remitter in P2, which prevent strong suggestions about this association.

With other schooling as the reference category the variable highest educational attainment measures if different educational levels are differently associated with the dynamics of remittances. The variable category at least some college return highly significant coefficients for the outcomes non-remitter in P1 but remitter in P2 and remitter in both periods. The estimates suggest that the college-educated are roughly twice as likely to start remitting if they are not remitting already and that they have about twice as high risk of remitting in both periods relative to the reference category of the educational variable and the base outcome, non-remitter in both periods. The estimates are interesting also because the positive association between college education and remittances might capture something about the relation between income and remittances. Due to suspected collinearity problems income was left out of this Model and therefore its role for the dynamics of remittances remains a future undertaking to explore. But another explanation could revolve around the possibility that the highly educated in general are more informed about ways to remit and also that they know more about the actual need for remittances in other countries. With Indians as the reference group: Africans are estimated to be substantially more likely to remit in any period as their relative risk ratios are more than 4 times larger for all outcomes. Knowing that many African countries are characterized by hard living conditions, these estimates strongly indicate that
remittances tends to be directed toward areas where the hardships of life are very pronounced. However, not only Africans are estimated to be more likely to remit than Indians, also Caribbean’s produce a very clear pattern of estimates which suggest that they are more likely to start remitting or remit in both periods, but not to stop remitting.
Table 2. Multinomial logistic regression model, coefficients in relative risk ratios.  
Dependent variable: Change in remittance sending behavior over period 1 and 2.  
Base outcome: Non-remitter in both period 1 and 2.  
Individuals (immigrants and the second generation) in the working ages: 15-65.

<table>
<thead>
<tr>
<th>Model 2</th>
<th>Outcome 1 (Non-remitter in P1 → Remitter in P2)</th>
<th>Outcome 2 (Remitter in P1 → Non-remitter in P2)</th>
<th>Outcome 3 (Remitter in both periods)</th>
<th>Descriptive Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rounded figures</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Change in employment status</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-employed in P1 and P2 <em>(ref)</em></td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>33%</td>
</tr>
<tr>
<td>Non-employed in P1, Employed in P2</td>
<td>3.331***</td>
<td>1.355</td>
<td>3.051***</td>
<td>13%</td>
</tr>
<tr>
<td>Employed in P1, Non-employed in P2</td>
<td>2.951**</td>
<td>3.523***</td>
<td>5.230***</td>
<td>8%</td>
</tr>
<tr>
<td>Employed in both P1 and P2</td>
<td>2.216***</td>
<td>2.457***</td>
<td>4.591***</td>
<td>46%</td>
</tr>
<tr>
<td>Age</td>
<td>0.997</td>
<td>0.977</td>
<td>1.005</td>
<td>38</td>
</tr>
<tr>
<td>Male <em>(ref=female)</em></td>
<td>3.216**</td>
<td>1.352</td>
<td>2.019**</td>
<td>42%</td>
</tr>
<tr>
<td><strong>Years in the UK and second generation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Years in UK = 7-12 <em>(ref)</em></td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>16%</td>
</tr>
<tr>
<td>Years in UK = 0-2</td>
<td>1.591</td>
<td>0.562</td>
<td>0.844</td>
<td>3%</td>
</tr>
<tr>
<td>Years in UK = 3-6</td>
<td>1.301</td>
<td>0.904</td>
<td>0.848</td>
<td>11%</td>
</tr>
<tr>
<td>Years in UK &gt; 12</td>
<td>1.509</td>
<td>1.278</td>
<td>0.516**</td>
<td>41%</td>
</tr>
<tr>
<td>Second generation <em>(ref=immigrant)</em></td>
<td>0.796</td>
<td>1.249</td>
<td>0.400**</td>
<td>29%</td>
</tr>
<tr>
<td>Married or in a registered partnership <em>(ref=no)</em></td>
<td>1.338</td>
<td>1.702</td>
<td>1.598</td>
<td>58%</td>
</tr>
<tr>
<td>Citizen of country of birth <em>(ref=no)</em></td>
<td>2.077*</td>
<td>1.336</td>
<td>1.676*</td>
<td>19%</td>
</tr>
<tr>
<td>One or both parents never lived in the UK <em>(ref=no)</em></td>
<td>2.084*</td>
<td>1.933**</td>
<td>3.232***</td>
<td>49%</td>
</tr>
<tr>
<td>Responsible for one or more children aged below 18 <em>(ref=no)</em></td>
<td>2.094*</td>
<td>1.388</td>
<td>1.549</td>
<td>35%</td>
</tr>
<tr>
<td><strong>Highest edu attainment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other schooling <em>(ref)</em></td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>26%</td>
</tr>
<tr>
<td>Secondary school</td>
<td>0.901</td>
<td>1.190</td>
<td>1.543</td>
<td>20%</td>
</tr>
<tr>
<td>Upper secondary</td>
<td>0.736</td>
<td>0.603</td>
<td>0.898</td>
<td>15%</td>
</tr>
<tr>
<td>At least some college</td>
<td>1.947***</td>
<td>1.167</td>
<td>2.094**</td>
<td>39%</td>
</tr>
<tr>
<td><strong>Ethnicities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indian <em>(ref)</em></td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>20%</td>
</tr>
<tr>
<td>Pakistani</td>
<td>2.201**</td>
<td>2.544***</td>
<td>1.467</td>
<td>17%</td>
</tr>
<tr>
<td>Bangladeshi</td>
<td>3.747**</td>
<td>1.261</td>
<td>1.846</td>
<td>16%</td>
</tr>
<tr>
<td>Caribbean</td>
<td>2.815***</td>
<td>1.919</td>
<td>3.052***</td>
<td>12%</td>
</tr>
<tr>
<td>African</td>
<td>4.599***</td>
<td>4.383***</td>
<td>4.976***</td>
<td>14%</td>
</tr>
<tr>
<td>Other Ethnicities</td>
<td>1.870</td>
<td>0.842</td>
<td>0.448**</td>
<td>22%</td>
</tr>
<tr>
<td>CONSTANT</td>
<td>0.011***</td>
<td>0.047***</td>
<td>0.010***</td>
<td></td>
</tr>
<tr>
<td>dfres</td>
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</tr>
<tr>
<td>N</td>
<td>2424</td>
<td></td>
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</tr>
</tbody>
</table>

*p<0.10  **p<0.05  ***p<0.01
7. Discussion and conclusions

The aim of this research has been to increase our knowledge about how factors present in origin country, destination country and individuals economic capacity (S.E.S) are associated with remittances in a British context. By adopting a methodological approach that utilizes both longitudinal and cross-sectional analysis by two different Models it has been possible to show that there exists a dynamic relationship between remittances and employment status, and that both origin and destination country factors are important as they seem to influence incentives and desires to remit.

Through the results of this thesis, the intricacy of the association between remittances and individual economic circumstances has been highlighted. The results of part one, which plainly indicated that being employed increased the odds of sending remittances to family and friends, was abundantly supported by the results of the dynamic Model in part 2 of results. This second Model showed that a positive labor market transition was significantly associated with a higher relative risk of starting to remit and the opposite was estimated for a negative labor market transition. Individuals who are employed in both periods also have substantially higher risks of being remitters in both periods vs. being a non-remitter in both periods. As expected, the results discussed immediately above suggest that a transition on the labor market often is followed by a similar transition in remitting behavior. Therefore, it was very interesting to find that those who make a negative transition on the labor market also were the group who had the highest odds of remitting in both periods. That is, these findings about remittances and economic capacity likely relate not only to actual capacity and perceived capacity to remit but also to a multitude of reasons for sending remittances. For example, individuals may feel the need to, or feel pressured to, remit also when their capacities shrink if causes or individuals are felt for strongly or if they exert social pressure e.g. parents that reside in the origin country. And under such circumstances remittance senders may regard remittances to be an absolute necessity (Lucas, Stark 1985; Johnson, Stoll 2013). Admittedly, many factors that are important for understanding remittances likely are hard to measure e.g. social pressure. This poses a challenge when working with remittances but finding variables or indicators that may capture such effects, for example family bonds should be a sound way of approaching the challenge.

As used in this thesis, non-employment relates to a wide variety of conditions that could apply to individuals in the working ages in the UK e.g. students and early retirements. In turn such
conditions relate to different levels of economic reimbursement where it’s likely that some allow for sending remittances and some others do not. This introduces some uncertainty i.e. these results do not say much about unemployment only employment and non-employment. To delve into a more fine-grained classification of conditions that are associated with non-employment should render interesting insights on the topic of remittances, and it is an attainable goal for future research. However, an important insight is that these results do not contradict research which suggests that employment status and a generally rooted economic situation in the destination country favor remittances e.g. (Carling, Bivand Erdal, Horst 2012; Hammond 2013), rather they highlight how complex the relationship is. On the topic of complexity, the Understanding society data does not contain information about remittances on a yearly basis and this must be considered a limiting factor. As of yet, data on remittances is available only in period one and two i.e. observations are two years apart and for instance, I cannot be sure if individuals who reported that they remit in period one and two also did so in-between these time points. However, I believe that this limitation should merely be noted as it likely matters little for the results presented in this thesis.

Regarding labor income, in the first part of results only the variable category 2000 < income < 3000 is estimated to be associated with significantly higher odds, relative to the reference group which is Income < 2000, of remitting to family and friends. Also, living on income support is not significantly different from the reference group. Therefore, it is possible that income matter mostly for individuals with little income as an increase could make them remitters while the same type of increase among high income earners likely have little correlation with the decision to remit or not i.e. the marginal effect of additional income across income groups is most likely not monotonic (a “fact” that is well known and frequently discussed when it comes to economics and stimuli of the economy). When deciding upon how to code the income variable, multiple configurations were tested, for example by dividing observations into quartiles and deciles. However, as the used configuration yielded results that allowed for the interpretation found above, which feels intuitive and reasonable, it became the included one.

In Model 1, men are estimated to have higher odds of remitting to family and friends and in the second Model men are suggested to have higher risks of starting to remit (for any reason) or to remit in both periods, but not to stop remitting in the second period. Finding that men seem to be the principal remitters lines up well with e.g. Carling (2008) which possibly suggests that norms and values within analyzed ethic groups hold men more responsible than
women for sending remittances. However, it should be remembered that other research suggest that women sometimes could be the principal remitters (Posel, 2001; Brière, Janvry, Lambert, Sadoulet 1997), and thus, an interesting focus for future research could be to investigate remittances by focusing on local values and norms from a gender perspective.

Two indicators of ties to the origin are country of origin citizenship and the variable one or both parents never lived in the UK. Looking at Model 2 and the estimates of individuals who have kept their country of origin citizenship, they are more likely to start remitting and also to remit in both periods. This is interesting since the remittance pattern suggests that said individuals may be particularly interested in keeping in contact with the origin country. Through previous research different opinions and explanations can be derived, for example the research of Kastoryano (2002) which suggest that dual citizenships may promote a more multicultural identity for which the origin country identity could remain important during a long period of time after migration. In both Model 1 and 2, the variable one or both parents never lived in the UK return highly significant estimates which indicate that not having both parents present in the UK strongly increases the likelihood of remitting to family and friends and also to remit in general. In Model 2, the variable returns significant estimates for all outcomes making individuals who lack having both parents in the UK more likely to remit in any period relative to not remitting in any period. These findings feel very reasonable and as such they are easily understandable, and the importance of family bonds is truly emphasized by the estimate of one or both parents never lived in the UK on outcome remitter in both periods which return a relative risk ratio of 3.232, significant at the one per cent level.

Being critical it is possible that appropriate controls, especially for ties to origin, should render time since migration non-significant, at least this has been indicated by previous research (Brown 1997; Fairchild and Simpson 2004). One goal of this research has been to see if Carling (2008) could be right in assuming that the relationship between remittances and time since migration resemble an inverted U-shape. In both Model 1 and 2 the variable time since migration and second generation produces significant estimates. A closer look at these estimates give that, in Model 1, the second generation and immigrants who has spent a shorter or longer time than 7-12 years in the UK have significantly lower odds of remitting to family and friends. In Model 2, significant estimates suggest that the second generation and those who have spent more than 12 years in the UK have, roughly, only half the risk of remitting for any reason in both periods, relative to the reference category - individuals who has spent 7-12 years in the UK. These results are very interesting and clearly suggest that it takes some time
to build the capacity to remit, but also because they simultaneously indicate that the passing of time may come to counteract this positive trend i.e. these results support Carling (2008) who suggested that this relationship might resemble an inverted U-shape. The reason for remittances to “peak” at the interval 7-12 years could relate to factors that has been lifted in previous works e.g. employer preferences and that some individuals may have foreign educational credentials (Grand, Szulkin 2002; Dustmann, Fabbri 2003; Frijters et.al 2005; Borjas 2003), factors that disfavor the job-taker on the new labor market. The finding also seems to reason with the family adaption perspective which suggests that: once established the migrated will be more likely to start remitting back home (Lucas and Stark 1985). In any case, the odds of sending remittances seems to decline with time and Amuedo-Dorantes and Pozo (2006) suggested a possibility in that: as individuals become more securely rooted in the destination country, they also become less dependent on individuals in the origin country, which in turn, may be associated with lower incentives for sending remittances. In a similar fashion Carling (2008) suggested that:

“Consequently, the principal remitters could be those who have resided long enough to be well-established and have a stable income, but not so long that they have lost contact with potential receivers.” (Carling 2008:592)

In Model 2 college-educated are about twice as likely to remit in both periods or to start remitting. This is interesting since at least two explanations seem plausible. First, it is possible that income acts as an intermediary between education and remittances, making it seem like college education significantly increases an individual’s relative risk of remitting. This possibility arises because income had to be left out of Model 2 due to suspected collinearity problems but given the estimates of income in Model 1 it would seem that being a top earner does not equate being a more likely remitter. Thus, another possibility is that the highly educated in general are more informed about ways to remit and also that they know more about the actual need for remittances in other countries, which on average could make the college educated remit to a higher extent.

Turning to the variable ethnicities one finding seem especially clear, also across Models, Africans are the principal remitters. Harsh living conditions, which are found in many African countries, most likely promote remittances being sent through different mechanisms. Firstly, pure will to help kin in the origin country could create a steady flow of remittances to individuals in need, but social pressure to help is also equally likely as an explanation for remittances being sent. Carling, Bivand Erdal and Horst (2012) and Hammond (2013) have
investigated what role conflict and famines have for remittances and according to their results it would seem that both receivers and senders work in the direction of more remittances being sent in times of extraordinary need.

To sum up, main findings of this thesis are: a positive labor market transition is associated with a significantly higher risk of starting to remit and a negative labor market transition is associated with an increased risk of remittance termination. But employment does not seem to be deterministic for remittances as individuals are shown to remit through spells of non-employment, suggesting that many factors other than employment must be regarded as important for understanding remittances. Family bonds are such factors, especially bonds to parents that do not reside in the destination country. Individuals who have parents residing in other countries than the destination country are more likely to remit in any period and especially likely to remit in both periods relative to being non-remitters in both periods.

Results on time since migration confirmed previous research which has suggested that it may take some time for the average migrant to build the capacity to remit and that the likeliness of sending remittances may decline with time i.e. the relationship between time since migration and remittances likely resemble an inverted U-shape (Carling 2008). The second generation was also estimated to have significantly lower odds of remitting, relative to an immigrant, in both Models. And thus, although remittances certainly seem intricate in relation to other factors e.g. income and employment, results harmonize with set hypotheses. Therefore, it seems fair to say that remittances are positively associated with capacity to remit (H1), remittances are positively associated with ties to the origin (H2), remittances are negatively associated with ties to the destination (H3) and a positive labor market transition is associated with an increased risk of sending remittances while the opposite is true for a negative labor market transition (H4).

Given the results of this thesis and previous research that has been referenced within this work, possible ways to undertake new research can be elaborated. One basic suggestion is to conduct more research with longitudinal data in order to better understand the dynamic relationship of remittances and other factors. In doing so many different questions could be addressed and elaborated extensively. For one I believe that we need more knowledge about how gender, local values, norms and responsibilities within the family relate to remittances. For example, what happens remittance-wise when people marry? Marriage turned out significant in Model 1, suggesting that the marriage increased the odds of remitting to family and friends, but the reason behind this finding remain unclear. Maybe it relates to household
economy, to personal liquid funds or maybe it simply reflects the fact that new family members, which may have the need of remittances, enter the picture in a strong way when people get married.

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Appendix

The Understanding society study is complex, and the stratified sampling design must be accounted for if estimates are not to be distorted. Practically this is done by using the SVY-command in STATA. An explanatory example of this procedure is available in the Understanding society user guide (Knies 2016). However, the SVY command does not allow for the use of the option “r” (robust standard errors) which e.g. is commonplace to use when individuals show up more than twice in a data set i.e. cluster standard errors by individual.

As a test, regressions have also been run without weights provided by the understanding society team but with robust standard errors. Results are largely similar and therefore those Models have been left out of this work, a choice that is based on strong recommendations from the Understanding society team to use their weights in any analysis done with their data.

Models with robust standard error are available upon request.

Since both simple logistic regression with coefficients presented as odds ratios and multinomial logistic regression, with coefficients presented as relative risk ratios, is used, the reader is encouraged, if not already familiar, to get acquainted with the differences between odds ratios and relative risk ratios. In short, an odds ratio is what it sounds like, a ratio of odds (odds that relate to two different groups of being associated with the outcome), while a risk ratio is a ratio of probabilities (of two groups to be associated with the outcome). For a more elaborate outline of the above see Mood (2010).