

Remittances in Colombia

(Country of Origin)

- **General information**

Colombia has an area of 1.141.748 km² and a population of 44.531.434 inhabitants, of which 72,4% is urban. Sixty-four percent is below the national line of poverty according to data of the United Nations Development Programme (UNDP). It is estimated that 7,3% of the population lives abroad. The three main countries of destiny of the migratory flows from Colombia are the United States (35,4%), Spain (23,3%) and Venezuela (18,5%).

- **Gender**

Development index relating to gender (rank)	56/177
Development index relating to gender (index)	0.787
Gender inequality in education (female literacy rate as % of the male rate), 2004	101%
Female economic activity (% between 15 years and more), 2004	60.5%

Source: PNUD, <http://hdr.undp.org/hdr2006/statistics/countries/>

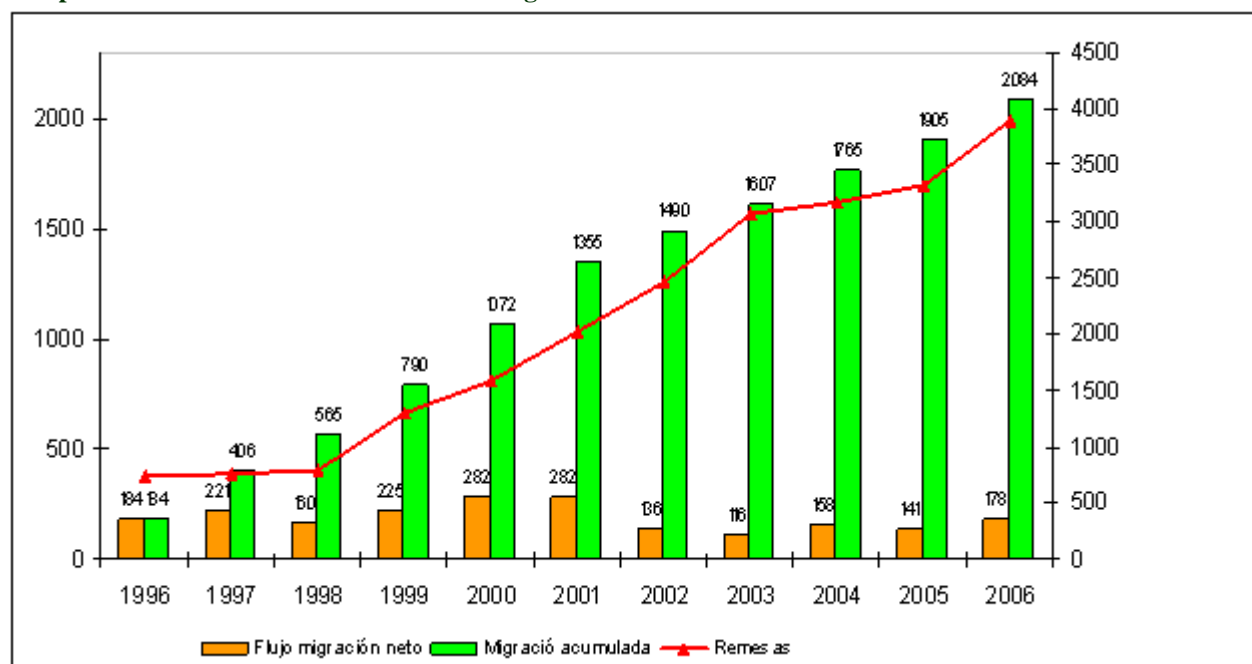
- **Countries sending remittances to Colombia**

The Central bank of Colombia has recorded that in 2003, 49,2% of the remittances received in Colombia originated from the United States, 35,6% from Spain, 4,3% from Great Britain, 3,3% from the Caribbean, 1,5% from Italy, 0,9% from Ecuador, 0,7% from Venezuela, and 4,5% from the rest of the world.

- **Evolution of remittances**

In Colombia as in the other countries of the region, the volume of remittances received and their role in the economy has been increasing progressively since 1998, in direct proportion to the increase in the departure of Colombians (See diagram 1). In accordance with Central bank statistics, Colombia received in 2006 on account of workers' remittances 3,890 million Dollars, which represented a growth of 17.4% as compared to the previous year.

Comparison between net and accumulated migration and the evolution of remittances



Source: Own estimates produced from data provided by the Central Bank and the Administrative Security Department

- **Colombia's income on account of remittances and in comparison to other income received by the country**

Remittances represented in 2006 2,9% of the GDP, 11,1% of the current income of the balance of payments and 61,8% of the total of income of capital received by direct foreign investment.

- **Distribution of households' income and remittances**

Studies carried out in 2005 by Garay and Rodriguez indicate that in the West-Central Metropolitan Area (AMCO) (1) the highest income quintile receives 48% of remittances whereas the lowest income quintile receives only 4%. In addition, it is the middle-class that concentrates the greater percentage of remittances-receiving households, as in Peru and Honduras. This pattern differs remarkably from the one of other countries in the region where, according to the data provided by the CEPAL (2005) the receiving homes concentrate generally in the lowest income quintiles, as it is the case of Mexico (where 51% of the recipient households belong more to the lowest income quintile), El Salvador (38%) or Guatemala (40%). Therefore, at AMCO, it would not be appropriate to speak of a decreasing effect on poverty derived from the reception of remittances, but in any case of the effect of maintaining and increasing well-being associated to consumption and without a doubt, of a powerful worsening effect of social inequalities as a result of migration and remittances.

When the distribution by sex of recipients is analyzed the result is that 70.7% of them are women. The qualitative interviews show that many of the married women with children who have migrated send the money directly to the person who is in charge of the children, usually the mother, and sometimes to another female relative such as the sister. In these cases the remittance does not become another income that becomes a "common fund" of the household managed by the man in Colombia, but rather each one of the spouses is economically independent and also contributes separately to supporting the children. Most of these men prefer that the wife makes the money transfer in this way so as to avoid conflicts or suspicions of possible mishandling of the funds.

Garay and Castillo (2005) assert that the receipt of remittances diminishes the incentives to participate in the labour

market. In fact, the participation in the labour market does decrease, but it is owed almost completely to women's departure from the labour market and who turn to the non-remunerated domestic work. This change can be seen as an escape from being declassified, and the return of population segments to the classic sexual division of work wherein women dedicate themselves to household work, supposes an improvement in their social level. Nevertheless, this change does not reflect a decrease in economic activity, but rather a transformation in the type economic activity being performed and in which the remunerated working time is transformed into non remunerated working time. Another important change is that the receipt of a more or less stable source of income allows for a mid/long term decrease of sub-employment, since it permits dedicating more time to finding a job more in accordance to required conditions. Persons who depend on remittances as the only source of income and as a substitute for all economic activity (within or outside the labor market) would be included under the epigraph of those who depend on income from retirement, pension or rent. This percentage is extremely low (2.9% of the total of recipient men and 1.9% of the total of recipient women). Therefore, there is no evidence that a strong dependency on remittances implies the abandonment of all economic activity.

- **Household equipment in the remittance-receiving households compared to the national average and characteristics of remittance-receiving households**

Given the particular characteristics of the causes for the Colombian migration, which relate to an abrupt economic and social crisis and composed by a wide range of middle and low middle urban classes, the use that recipient households give to remittances differs from the use given by households in other countries where economic conditions, in general, are much more precarious than those of the receiving households of the AMCO. Since the fundamental characteristic of the Colombian flow to Spain is its heterogeneity, obviously there are households where the migration had as objective to satisfy basic needs that had never before been covered (like having a house or buying household equipment. Also, the extension and multiplication of the migratory networks has caused that more households of a lower social class have progressively incorporated into this migratory flow. Nevertheless, the use of the remittances is greatly determined by a receiving context wherein the conditions are not of extreme material scarcity, but rather of a progressive loss of spending power and increasing difficulty in obtaining sufficient wages to maintain middle-class consumption levels and to ensure economic progress.

(1) Center for Economic and Social Studies (CESS), The encouragement of social-economic development in relation to the growth of the role of the remittances, Final draft, Research Report commissioned by UNDP and Soros Foundation, August 2003

(2) CEPAL (2005), Panorama social de América Latina, Santiago de Chile: Naciones Unidas