



## **MASTER'S PROGRAMME IN URBAN MANAGEMENT AND DEVELOPMENT**

# **Building capital: the role of migrant remittances in housing improvement and construction in El Salvador**

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## **Summary**

This study argues and provides evidence that migrant remittances act as a critical form of capital for improving the housing circumstances of the majority of households that receive them in the study locale. Remittances – the funds sent by labor migrants to their home countries – have come to light over the past decade as one of the most important capital flows to developing countries, playing as big a role in family budgets as they do in national macroeconomic forecasts. In many contexts throughout the developing world, households use largely autonomous and informal methods to improve their housing, but a lack of capital can inhibit them from fully addressing their housing needs. This study was inspired by the idea that remittances may be providing such capital.

To date, little has been written about how migrant remittances are used to build and improve housing. This study examines the role that remittances play in the housing process and its outcomes in a rural area of El Salvador. The main instrument of the research – an in-depth survey administered to 100 households – sheds light on what roles remittances play in accessing housing inputs of capital, materials, land, and labor and what impact they have on the housing circumstances of receiving families.

The findings tell us that remittances – a largely informal financial flow – have been integrated as a vital form of funding into a largely informal context of housing improvements. Remarkably, remittances have not supplanted informal systems of housing production, but have enhanced receiving households' capacity to address their own housing needs, increasing their access to capital, land, labor, and materials. Compared to their non-remittance counterparts, remittance households have been significantly more likely to spend more on improvements, build new houses, utilize paid labor, and buy land for housing. These expenditures have changed the face of housing in the study locale, especially in the case of the new houses that represent over half of housing expenditures. This study concludes that households have extensively used remittances as a capital input to housing. Most poignantly, they have enabled the poorest remittance households to make improvements that have been nearly unattainable for poor non-remittance households.

This study affirms the methodological importance of looking at the local context of remittance uses in order to understand how these global flows are utilized and how they benefit remittance households. This local perspective is particularly important when remittances are received in places where informal systems could hide their patterns of use. Furthermore, it gives a glimpse of the role – both effective and potential – that these global flows of capital could play in improving housing circumstances in other developing world contexts where migrant remittances intersect with acute housing needs and informal housing strategies.

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## Foreword

Past experience with field research focused on the impacts of migration had once given me a close-up view of the disparity in housing conditions in remittance-receiving communities. In 1997 I spent the summer pursuing fieldwork, assisting Dr. Sarah Mahler, now at Florida International University, with her anthropological study of the social impacts of migration on the small town of Polorós in La Unión, El Salvador. Just before joining her team, I had completed my own undergraduate anthropology thesis at Amherst College in the U.S., documenting and analyzing the experiences of families on both sides of the migration corridor between the cities of Governador Valadares in Brazil, and Boston, Massachusetts in the U.S. Concerning the development impacts in both Brazil and El Salvador, there seemed to be something of a “tragedy of the commons” at work – to borrow Garrett Hardin’s term – in which undesirable social conditions continued to persist, even as individual families benefited from remittance flows. (Hardin, 1968) Large resources flowed into these locales from migrants abroad, but many still at home continued to live in substandard housing conditions, for example. Destitute and opulent housing conditions occurred side by side; some households had obviously invested large amounts of resources into their houses, while others were subject to substandard conditions, such as dirt floors and lack of sanitary facilities.

Were migrant remittances the ingredient that allowed households to invest in housing improvements? If so, what portion of remittance-receiving households was able to make improvements, given the still-apparent housing need? Were households able to improve their housing circumstances without remittances? These particular questions – and the apparent contradiction between large remittance flows and persistent substandard housing conditions – stayed with me as I began my own career focused on affordable housing development and poverty alleviation in the United States.

Studies exploring the relationship between remittances and housing are limited. Many analyses that exist in the literature of remittances suggest that housing improvements are simply low on the list of remittance uses. Following that assumption, I first began this investigation by focusing on the obstacles that may have prevented remittance-receiving households from utilizing remittances more extensively for housing creation. But I soon found that the reality on the ground was the best cue for revision of my research goals, requiring a shift to the examination of how remittances *were* being used for housing, a pattern of remittance use that this study made clear.

This thesis is one of the first attempts to answer the question of how and to what degree remittances are used for housing by remittance-receiving households, and what role those remittances play in the overall process of housing improvement and production. Describing the pattern of use evident in a particular local context is a first step toward understanding the importance of remittances as a variable in housing development, whether as an effective tool or as an unrealized one. This understanding can provide a basis for investigating how global remittance flows might serve as a housing resource for remittance-receiving families in other communities experiencing migration. Moreover, we can then explore how remittances could be leveraged as a tool to expand housing options, even for those households that do not receive them.

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## Chapter One – Introduction and research methodology

### 1.1 Introduction/Background

Large numbers of Salvadorans migrate temporarily or settle permanently in another country, primarily in the United States. One in seven Salvadorans is estimated to be living abroad, most having made a long and difficult journey in search of work opportunities and the financial opportunities that result. Approximately 22% of households in El Salvador receive remittances – the funds or goods sent by migrants abroad back to their home country. (UNDP, 2005b) Remittances are indispensable to El Salvador and Salvadorans: in 2006 alone, *3.3 billion* dollars in remittances flowed into El Salvador. (IADB, 2007) They represent a sum larger than all cumulative foreign development aid to El Salvador, exceed Salvadoran exports, and in 2005 accounted for 18% of El Salvador's gross domestic product. (BCR, 2007a, IADB, 2007). Given its relationship with remittances, El Salvador is a bold-faced example of the benefits and costs of a remittance economy.

The last decade has seen remittances move into the spotlight of international recognition as governments, academics, and the development world have come to acknowledge the diverse and important roles that these financial flows play in the economies and societies of the developing world. This is no mystery to the families that benefit from the income and opportunities that remittances bring – these funds can put more food on the table, allow a child to continue her studies, fund a grandfather's medicine, or put a new roof on the family home. Remittances have big macroeconomic impacts, but are essentially a family phenomenon, relatively untouched by middlemen, subject to few conditions, and apportioned out largely according to the family's needs. Remittances are one of the most powerful aspects of global labor migration, a process that is increasingly undertaken in places like El Salvador as a means of seeking new opportunities for individuals and their families.

The availability of quality affordable housing is a major issue in El Salvador. One-third of households live in substandard housing, and many more do not have widespread access to mechanisms that would enable them to better their housing circumstances (FUNDASAL, 2006).

<sup>1</sup> Although the Salvadoran government has made good progress on addressing the housing needs of the populace relative to some of its Central American neighbors, a recent history of war and natural disasters, high land prices, and a relative scarcity of housing options have conspired to make affordable, quality housing a major need, especially for lower-income Salvadorans. (VVDU, 2005)

It is widely recognized that many households – especially in the developing world – take the process of housing production into their own hands in order to address their housing needs. This dynamic describes the housing process for many households in El Salvador. Whether as a result of a lack of market options, scarce or ineffective government intervention, or conditions of deprivation that put housing finance out of reach, households often rely on their own resources, ingenuity, informal mechanisms and social networks to provide themselves with the best

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<sup>1</sup> 2005 figures on substandard housing are from a presentation by the Salvadoran Vice-Ministry of Housing and Urban Development. Thirty-four percent of households live in deficient conditions, including 2% of families/households estimated to be homeless. Sixty-seven percent of this deficit is found in rural areas.

dwelling that they can. Lack of capital, however, often acts as a limitation to what households can do to improve their housing, especially for the poorest households. This study was inspired by the idea that remittances offer powerful opportunities for transforming the life options of the households that receive them, and that the housing circumstances of many families in El Salvador would benefit from mechanisms that could support their already-resourceful efforts to improve their housing circumstances. If development is about increasing opportunities, then migrants' remittances may offer opportunities to advance goals of housing development one family at a time.

Knowing more about the uses of remittances, it will be argued, is a key to knowing more about their potential beneficial impacts. This thesis is a first effort in shedding light on how remittances play a role in housing creation. It looks closely at how these two major phenomena – remittances and housing – are coming together in important ways in small town El Salvador, how remittances are impacting on the process of housing production in this area, and how this has impacted the housing circumstances of households that receive them.

## **1.2 Definition of the problem**

As described above, El Salvador provides one of the most striking examples of the role that migrant remittances can play in developing countries. This role plays out in bold ways at the level of the nation, the community, and the family. It is also a place where access to quality housing continues to be a major issue, especially for poorer segments of society. The unavailability of capital can represent a major bottleneck to the production or improvement of housing. Given this context, remittances seem to represent an attractive source of funds to improve households' housing circumstances; in theory, remittances could serve as powerful tool for housing development. It is not clear, however, whether these resource flows are serving to expand the housing options of the households that receive them. National measures tell us that they are not extensively used, and the literature is not conclusive on how, how much, and by whom remittances are used for housing purposes. If they are, in fact, used for housing purposes, we do not know what role they play, since little research has been done on the impact of remittances on the housing production and improvement process. In-depth information does not exist on how remittances are used for housing purposes and how they engage with existing processes of housing production. Without an understanding of remittances role in housing production, we have no basis for understanding the impact of remittances on the housing circumstances of families that receive them, nor do we know how these resource flows are affecting systems of housing production. This knowledge is as critical for the understanding of remittance uses as it is for the study and practice of housing development.

## **1.3 Objectives and research questions**

The main objective of this study is to define the roles that remittances play in improving and building housing for remittance households in a small town in El Salvador. This main objective comprises two objectives in the study locale:

1. Define how and how much remittances are being used for housing purposes and identify what impacts this spending has had on housing quality.
2. Identify the roles that remittances play and the influences they have on the housing production process, focusing on the major inputs to housing – land, labor, capital, and materials.

These goals translate into two research questions:

1. *How and how much* are remittances used for housing purposes by remittance households, and what impact has this had on housing quality?
2. How does the use of remittances influence the housing process in this locale, particularly the major inputs to housing – land, labor, capital, and materials?

## **1.4 Methodology**

### **1.4.1 Operationalization of research variables**

The variables in Question One are remittances and housing improvements and construction. The impact of remittances on housing improvement outcomes will be measured by several indicators, among them the amount of remittances received, household income, amount of improvements carried out, and amount of land purchased by the household.

The variables in Question Two are remittances and major aspects of the housing process. The impact of remittances on the housing process will be measured by indicators including the type of materials used for improvements and construction, the type of capital accessed, the labor utilized, and the patterns of coordinating the housing process.

These indicators will be further explained in Chapter Two.

### **1.4.2 Structure of the analysis**

To determine how remittances are being used for housing purposes, it is necessary to compare those with and without remittances. The relative amount of improvements made and strategies used by households distinguished by remittance receipt status can indicate the differential impact that remittances have on the housing options of those who receive them as well as the impact that remittances may have on the housing process itself. The main approach of this study will thus be a comparison of remittance and non-remittance households vis-à-vis the housing process and housing outcomes. For the most part, this means a comparison of those who currently receive remittances and those who do not.

A comparison of receiving and non-receiving households does not, however, tell the whole story about the impact of remittances on housing improvements. Many households in the

study area no longer receive remittances, but have benefited in the past from these flows.<sup>2</sup> Although these households no longer receive remittances, their investments in housing are as likely to have been influenced by remittances (or migrant savings) as those who currently receive remittances.<sup>3</sup>

The comparison that follows thus includes these “remittance-influenced” households in a category named “remittance households”. This category includes those who currently receive remittances and those who have either received funds in the past or were migrants who brought savings back to El Salvador. Households who do not fit into either of these categories are referred to as “non-remittance households”.

#### **1.4.3 Population and sampling methods**

The population under study comprises households in selected areas of the *cantón* of San Jerónimo. The definition of household includes all individuals who live in the house as well as members of the household who were living abroad at the time of the study.<sup>4</sup>

Three areas were selected in the *cantón* of San Jerónimo for the sample: San Jerónimo proper, Guayabillas, and Amatal, known commonly as “El Puntito”.<sup>5</sup> Geography is one of the primary factors that distinguish these three areas, giving the sample of the San Jerónimo area a richness that might not have emerged from a sample of households in a one of these areas alone. (See Image 1 and 2 below) Due to time constraints, it was necessary to sample a portion of the population in these areas. A proportionally representative number of households from these three areas were randomly selected, constituting 58 households in San Jerónimo, 25 households in El Amatal, and 17 households in Guayabillas.<sup>6</sup> The sample population of 100 households thus

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<sup>2</sup> Some of these households received remittances in the past, and others have members or household heads who were themselves migrants. Some of these migrants and families of migrants were also able to make improvements to their homes or construct new homes over the course of this decade.

<sup>3</sup> The questionnaire gathered systematic information only on current migrants, not on past patterns of migration. The results of a question regarding funding source of improvements provide data on this point. These answers tell us the number of cases in the category “households without remittances” who have used remittances or migrant savings to fund housing improvements in the last decade. Forty-one percent of those without remittances that made improvements stated they had funded them either purely through remittances or, in the case of returned migrants, entirely from savings from their time abroad. Leaving these households – 7% of the entire sample – in the non-remittance category would skew the results of the group that has said that they do not receive remittances at all.

<sup>4</sup> Household members abroad were identified by the respondents in their responses to the question “Are any members of the household currently living abroad?” Household member, in this case, was defined as any individual who was living in the house or with household members prior to migration.

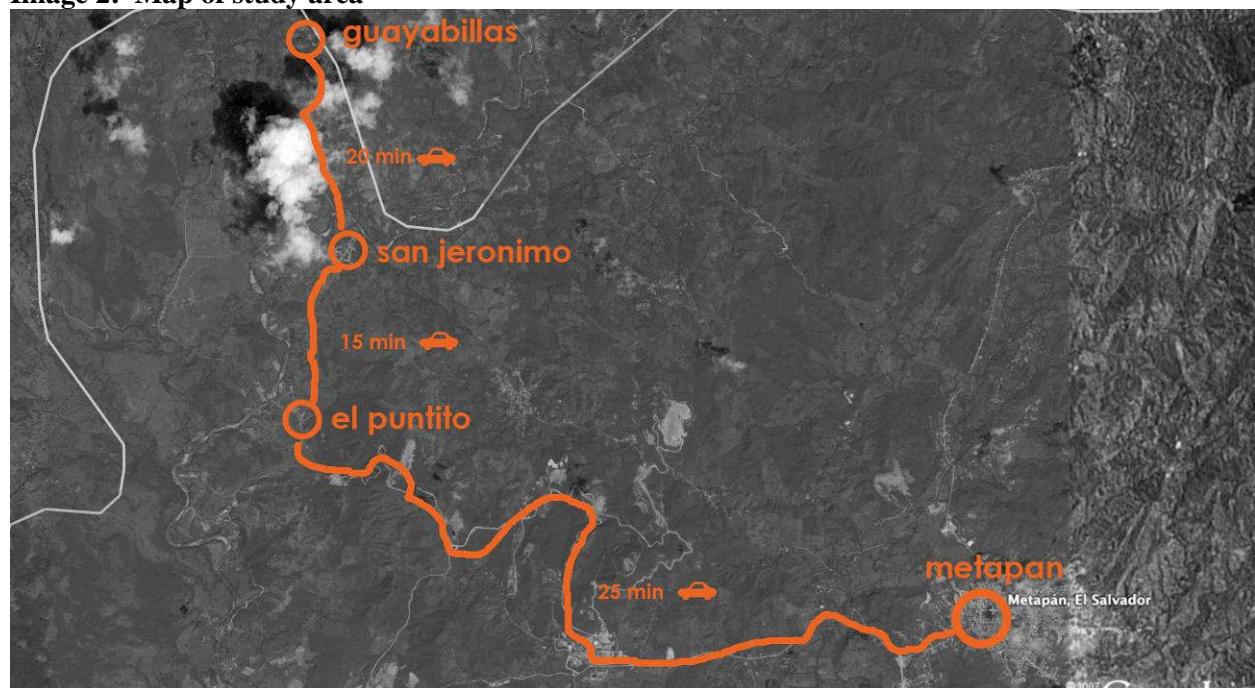
<sup>5</sup> *Cantón* is a term used throughout El Salvador to describe a small town. The *cantón* typically encompasses a number of *caseríos*, loosely translatable as village. The *cantón* of San Jerónimo includes *caserío* San Jerónimo (referred to as San Jerónimo proper in this study) and three other *caseríos*. According to municipal officials, the designation as *cantón* is mostly utilized as a term of administrative organization, without any regulatory or statutory power to set laws, which is done at the level of the municipality, Metapán. There was some disagreement amongst sources at the municipality on whether Guayabillas belonged to San Jerónimo or another *cantón*.

<sup>6</sup> The total estimated number of households in the area was 301: 175 in San Jerónimo, 75 in El Amatal, and 51 in Guayabillas. Local health department maps from 2003 were utilized to define the number of households and their locations in the three areas, and SPSS was used to select a random sample of these households. These households were then plotted onto three area maps in preparation for carrying out the survey.

Image 1: Map of El Salvador locating study area



Image 2: Map of study area



represents approximately one-third of the households in these three areas.<sup>7</sup> This random sample was the primary means used to ensure the representativeness of the sample.<sup>8</sup>

#### **1.4.4 Motivation for selection of the study area**

El Salvador was selected as the country of study for two main reasons: first, the author's previous research there indicated a need for further research into the topic of this study; second, El Salvador, as will be described in Chapter Three, is one of the countries in Latin America most heavily impacted by migrant remittances, and as such represents a strategic locale for studying how remittances are playing a role in the improvement and production of housing.

The area of San Jerónimo was selected as the study locale for three primary reasons: first, the area has a strong tradition of migration over the past two decades; second, the town was small enough to gain trust relatively quickly and conduct a door-to-door questionnaire with a relatively low rejection rate, unlike in an urban area;<sup>9</sup> third, the author was able to gain contacts in the area who facilitated the initial phases of research implementation.

#### **1.4.5 Research instruments and phasing**

This research utilized three primary research instruments – household survey, interviews, observation. Photography and videography were also used to record selected interviews and document physical evidence of the topic of study.

The research fieldwork was carried out in two phases. The first phase of the fieldwork began in San Salvador, the capital of El Salvador.<sup>10</sup> Interviews were conducted with key experts in the housing, banking, and remittances sectors. These interviews were carried out with the goal of providing a national context for the study and defining trends in these three sectors that might be affecting actors in the study locale. This information would then serve as background to frame the questions that would be asked of respondents in the second phase of research.

This study then moved to the research locale, where data was gathered in Metapán, the nearest city, and in the San Jerónimo area itself. Interviews with local authorities served to fill in details of the local context of migration and remittances, the banking sector, and the process of housing production in this rural area. It provided information that insured that the indicators selected to answer the research questions were appropriate. It also provided key insights into how the San Jerónimo area has been affected by migration and remittances and how actors there have typically gone about improving or building housing.

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<sup>7</sup> A census of San Jerónimo proper was carried out in May 2007, but the Department of the Census had not yet released these figures. An employee of the census said that the town had approximately 270 households, a higher number than that included on the Health Department map. This was not officially confirmed.

<sup>8</sup> Had up to date census information been available, representativeness could have been further verified by comparing basic traits of households in the sample with basic traits of households in the general population.

<sup>9</sup> The original intention was to conduct this study in an urban area, but this goal was modified given the difficulty of gathering sufficient data during a limited timeframe. The sensitivity of much of the data around income, remittance receipt, and spending mean that it would likely take more time to gain the confidence of respondents in an urban area.

<sup>10</sup> Two interviews were conducted in Washington, DC.

The second phase of fieldwork took the form of an in-depth household survey that was administered in three locales in the San Jerónimo area.<sup>11</sup> This questionnaire was designed to measure several aspects of the household, including:

1. Household characteristics such as the age, schooling, occupation, income, and expenses of household members.
2. Characteristics of the dwelling itself, including physical aspects of the house (type of roof, for example), land tenure, length of residence, possession of assets, and others.
3. The household's use of financial institutions, formal and informal loan products, and saving practices.
4. Characteristics of household members who were living abroad, including demographic and occupational characteristics, how much these migrants sent in remittances, and dynamics of the remittance relationships.
5. The history of any housing improvements and construction made by the household over the past decade, including amounts of improvements, type of materials used the history of any land purchases made by the household over the past decade.
6. The history of strategies used in the process of building or improving housing, including methods of construction, materials purchase, labor practices, and other aspects.
7. Household attitudes toward remittances and their role in housing improvements.

The rationale for utilizing these particular indicators will be explained in more detail in Chapter Two.

The survey was conducted door-to-door based on the random sample of households described above. The respondent was typically one or both heads of household, and in limited cases another family member. The surveyor asked questions of the respondent and recorded these responses, occasionally noting extra information relevant to the research questions. Given the sensitive nature of much of the information gathered, surveyors stressed that the information from the survey would serve only for the purposes of the study and the particular household identity would remain confidential.

Additional information was gleaned from extended interviews with survey respondents who offered particularly rich points of view on the role of remittances in the town, the process of housing improvements, and the impact of the former on the latter.

## **1.5 Data collection and analysis**

Both primary and secondary data were utilized in this study. The collection of secondary data began in May 2007 as desk research, and was finalized during the first phase of research with additional secondary data collected in El Salvador. Primary data was collected through select interviews in San Salvador, Metapán, and the San Jerónimo area. A total of thirty-eight

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<sup>11</sup> Extensive notes on the methodology of the questionnaire can be found in Annex 1.

interviews with key figures in the housing, banking, and remittances sectors were carried out in these three locations.<sup>12</sup>

The great majority of primary data was the result of the household survey, which was administered by the author and an experienced research assistant. One hundred household surveys were carried out in late July 2007.

During August and September 2007, the author tabulated and interpreted the data, primarily using SPSS and MS Excel as the tools of the analysis. Further analysis and the writing of the thesis occurred during September and October 2007. Notes on the methods for data analysis can be found in Annex D.

## **1.6 Limitations and unaddressed aspects of the research**

This study attempts to fuse the study of two complicated phenomena, housing and migrant remittances. Both are by nature phenomena that are occur – or do not occur – as a result of multiple influences and variables. Data was collected on the remittances that households received during the past year and on the housing improvements that households have made over the last ten years. Since these two time periods are different, an exact correlation cannot be drawn between the improvements made (actual data) and the amount of remittances received over the past decade (projected data from actual data from this year.) As will be explained in Chapter Two, housing is often an incremental phenomenon, unlike food consumption, for instance. For this reason, data on housing improvements was collected for a ten year period to allow for a longer term view of how remittances have been used for housing. The optimal approach would be to collect time-equivalent data on remittance receipt and housing spending over several years, a methodology that did not match with the time constraints of this study.<sup>13</sup>

Likewise, an understanding of remittance expenditures other than housing would undoubtedly enrich this study, but was not possible within the constricted research period. Since the study focuses on *how and how much* remittances are used for housing, it does not specifically address *why* this is or is not occurring in relationship to other uses, such as consumption, education, or business investment. Furthermore, the study does not specifically address the question of why some remittance households have invested in housing and others have not, though this is a worthwhile line of inquiry for future study.<sup>14</sup>

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<sup>12</sup> Eighteen interviews were carried out in San Salvador: six in the housing sector, seven in the banking sector, and five in the area of remittances and migration. Eleven interviews were carried out in Metapán, eight in the housing sector and four in the banking and remittances sector. Nine interviews were conducted in San Jerónimo proper, with local leaders, construction professionals, and older residents. These were supplemented by multiple informal conversations with townspeople about remittances, housing, and local history.

<sup>13</sup> Time equivalent data collection for one year would not have yielded enough data from 100 households to make any significant analyses.

<sup>14</sup> Although not limitations of the study *per se*, the impact of remittance housing spending on social relationships is not addressed in this study, nor is the influence of remittance spending on architectural patterns and the use of domestic space extensively discussed. The fieldwork phase of this study made it evident that changes are occurring in both of these areas, providing rich material for future analysis of how remittances and housing are diversely intertwined.

As with any study of complex phenomena, a number of thought-provoking patterns came to light over the course of the research. While not analyzed in detail, Annexes at the end of this thesis nonetheless serve as preliminary explorations of two phenomena – the high rate of unoccupied houses and the potential multiplier effects of housing expenditures. Additionally, a section on household narratives regarding the construction process provides a qualitative complement to this largely quantitative study.

## 1.7 Structure of the thesis

**Chapter Two** reviews part of the extensive literature on migrant remittances, focusing on aspects most relevant to a consideration of remittances' use for housing. It then introduces literature that is helpful in thinking about how housing actors go about improving their housing circumstances using informal mechanisms. These two lines of inquiry are fused into a framework for analyzing the topic of study.

**Chapter Three** provides background information on El Salvador and the study locale. It begins by discussing the history and impact of migration and the role of remittances in Salvadoran society, and then moves to a discussion of migration and remittances in the study locale. This chapter begins to share the findings of the research, first discussing the characteristics of the households surveyed, and then moving to a treatment of local patterns of migration and remittance receipt.

**Chapter Four** introduces the state of housing in El Salvador both nationally and in the study locale. Current perspectives on the housing situation in the country are introduced, followed by a discussion of how housing typically gets produced in El Salvador. Data from interviews and the household survey form the basis for an analysis of how remittances are impacting the housing production and improvements process in the San Jerónimo area.

**Chapter Five** analyzes how and how much remittances have been used for housing purposes in the San Jerónimo area. It first shares data on the differential housing between remittance and non-remittance households, and then describes the physical impact of improvements on the face of housing in San Jerónimo. The chapter concludes by introducing and offer explanations for at-first enigmatic patterns of remittance use, bringing to light other potential dimensions of the impact of remittances.

**Chapter Six** summarizes the most important findings of the research, situates them in the broader context of remittances and housing, and recommends directions for further research.

## **Chapter Two – Findings from the literatures of remittances and housing – definition of the analytic framework**

### **2.1 Introduction**

Remittances are, simply defined, the funds and goods that people send back to their places of origin. Remittances are mostly cash, but may take the form of medicines, clothing, and appliances, for example. Remittances can be the product of internal migration or migration abroad. The migrants who send remittances back home have migrated for a variety of reasons; seeking work opportunities abroad, fleeing political unrest, and reuniting with family count among some of the major reasons why migrants (or refugees) decide to go.

This study takes as its primary focus the remittances of international migrants, most of whom have migrated to other countries to seek work opportunities. The remittances they send back are one of the clearest indicators of the impact of migration on migrant-sending countries, and represent a powerful material and symbolic force in places where migration and its influences are an everyday matter. Remittances are sent from migrants back to their hometowns every day, crisscrossing borders and tracing flows of money across the globe. Whether a place where remittances are earned or one that receives their support, it is difficult to think of a country that is not involved in the flow of migrant money across borders.

I will begin this chapter by reviewing the extent and impact of remittances and framing some reasons why remittances have come to assume an important place on the agenda of governments, NGOs, and various academic disciplines. The remainder of the chapter will focus on recent scholarship regarding three major aspects of remittance flow: remittance-sending patterns, dynamics of remittance-sending, and the uses of remittances in receiving countries. I will begin by discussing current understandings of the faces and facts of the migrant flow: who sends remittances, who receives them, how much is sent, and what patterns tend to manifest themselves when migrants send money from abroad to their home countries. Next I will discuss the mechanics of this flow, outlining how remittances travel from one place to another. Lastly I will review the literature concerning how remittances are used by recipients. I will then move on to a treatment of some of the ways that housing gets produced in developing country contexts. Finally, I will explain the direction that this study will take in expanding our understanding of the role that remittances play in building and improving housing in the study area.<sup>15</sup>

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<sup>15</sup> For the purpose of this study, and due to constraints of space and time, I will mainly focus on studies of Latin American remittance flows, but will occasionally draw examples from the scholarship of remittances in other locales.

## 2.2 Overview of remittances as a global phenomenon

### 2.2.1 The scope and impact of remittances

About 200 million migrants from different countries are scattered across the globe, supporting a population back home that is as big if not bigger. Were these half-billion or so people to constitute a state – a migration nation – it would rank as the world’s third largest. (DeParle, 2007)

Remittances constitute one of the broadest and most effective poverty alleviation programs in the world, reaching approximately 20 million households in the Latin American and Caribbean region alone. – Inter-American Development Bank (IADB, 2006b)

Interest in remittances over roughly the last decade has surged. This occurrence should not be a surprise, considering the scale of their impacts on developing countries. As the above quote imaginatively illustrates, migrant remittances – the means of supporting the home front of that “migration nation” – are a phenomenon that profoundly affects the lives of millions around the globe. Worldwide, remittances were estimated to represent nearly \$150 billion in flows to developing countries in 2006. (UN, 2007)

In many cases, remittances stand shoulder to shoulder with other inflows of capital. Worldwide, remittances represent nearly one-third of the capital flows to developing countries. (Fajnzylber and López, 2007) In Latin America, remittances on the whole dwarf official overseas development assistance flows. (IADB, 2007) In some locales, they represent a greater inflow than direct foreign investment, and across Latin America, for instance, only run a close second to foreign direct investment. (Fajnzylber and López, 2007) The part they play in national incomes is no less profound: in 2005 remittances represented 10% or more of gross domestic product for nine countries in Latin America. (IADB, 2007)<sup>16</sup> Other measurements tell different stories about the varying roles of remittances in economies across the region, but all point to the fact that remittances are one of the most important capital flows in the Latin American region.

A consensus exists amongst experts as to the magnitude and centrality of these flows to many Latin American economies, even as they continue to debate the positive or negative impact of remittances on growth and development in the region. Given the magnitude of these flows, it is all the more stunning they have flown low on the radar screen until only recently. A 2007 report from the Inter American Development affirmed that “when finally recognized---perhaps in the past half-dozen years---the sheer amount of remittances surprised nearly everyone.”(IADB, 2007)<sup>17</sup> The growth of remittances has been similarly eye-opening. In 1990, the World Bank

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<sup>16</sup> And this figure does not include the story of larger countries like Mexico, Brazil, and Colombia. Relatively larger economies in these countries mean that remittances constitute a smaller percentage of GDP, but they are the three top receivers of remittances in the region. Mexico is the number one receiver of remittances in the region, estimated to be \$23 billion dollars in 2006. IADB 2007, *Making the most of family remittances*, Inter-American Dialogue Task Force on Remittances, Washington, DC.

<sup>17</sup> It is widely agreed that remittances as a phenomenon were largely “hidden in plain view”. The sea-change in the attention given to remittances is captured by one report’s observation that only a decade ago remittances were but the “subject of errors and omissions columns in international finance reports” IADB 2006a, *Report on the Public*

recorded \$31 billion in remittance flows to low and medium income countries. In 2005, annual estimated remittance flows to the same countries had reached \$167 billion dollars – more than a 500% increase over the course of 15 years. (Fajnzylber and López, 2007)

## **2.2.2 Growing interest in remittances as a subject of study**

A recognition of importance of remittances to many economies and families across the globe was one of the factors that influenced the growth of remittances as a topic of interest to a broader range of academics, government officials, and development practitioners. The attention garnered by the growth in remittances fueled this trend. The strengthening of remittances as a topic of importance to a wider audience resulted also from national governments' increasing recognition of the major role that remittances played in sustaining national economies, supporting families, and, in some cases, spurring economic development. The Mexican and Philippine governments have been notable forces in this area. (DeParle, 2007)

Development practitioners as well have increasingly come to recognize the crucial role that remittances play, and have thus recognized and increasingly turned attention to the importance of understanding how remittances work, how they are being used, and what impacts these flows may have. (Fajnzylber and López, 2007, Sander, 2003, USAID, 2004). The Inter-American Development Bank, in partnership with the Inter-American Dialogue, has been a forerunner in bringing to light the importance of remittance flows. The IDB has in recent years expressed the goal of “leveraging the development impact of remittances by making money transfers cheaper and safer and putting formal banking services within the reach of remittance senders and receivers.” (IDB, 2007) The World Bank has also played a role in identifying the flows and starting to define remittance impacts, as well as recommending policy directions for national governments to shape the remittance transfer environment. In 2003 the World Bank’s global development finance report included remittances as a reported variable for the first time, viewed by some as a watershed moment in emphasizing the centrality of remittances to the discussion of capital flows to developing countries. (Sander, 2003, Sorensen, 2004) Furthermore, increasing amounts of studies have come out over the past five years, addressing the question of what potential remittances offer for advancing development goals.

As the magnitude and perceived impact of remittances has come to light, the study of migrant remittances has branched out to an increasingly wide range of other fields over the last decade, in disciplines ranging from development studies to political science to macroeconomics to cultural anthropology. These and other disciplines have studied the impact of remittances on a wide range of phenomena, including poverty, economic growth, economic stability, education, labor supply, agriculture, national competition, and sociocultural support networks, and their relationship with, for example, direct foreign investment, banking policies, and anti-terrorism and anti-money laundering tactics. (as mentioned in the literature reviews of Mahler, 2000, Kapur, 2003, Landolt, 2001, Sander, 2003, Berg, 2004) The majority of studies have focused on the uses of remittances, their impacts, sending patterns and methods of transmission, the

relationship of remittances to development, and studies of policy considerations of remittance-receiving countries.

### 2.2.3 Qualities of remittances as financial and social flows

From start to finish remittances are, in many ways, a family matter. These transfers travel from one individual to another and from an individual to a family through a variety of means of transmission, from money transfer agencies to banks to informal couriers.<sup>18</sup> After receiving them from some intermediary, remittances do not require a middleman to apportion out the funds, do not require special knowledge to understand how the funds are accessed, and do not come with conditions for their use that are imposed by any entity outside of the family.<sup>19</sup> Remittances are, for the most part, transfers from parties with an excess to resources to others who have less. Studies have largely conceptualized remittances as either a form of social insurance against household instability in the face of shocks or economic change, or as a form of altruism (Aggarwal and Horowitz, 2002).<sup>20</sup> Poirine discusses remittances role as a revolving loan mechanism for families. (1997) Less analytically, remittances seem to be motivated by a desire to care for family whom migrants left back home.

Unlike other flows of money, remittances go directly to the family and remain a “family affair”: decisions about how they are spent remain largely at the discretion of the family, and the use of remittances does not impose obligations on the receivers in most cases, as would, for example, a microfinance loan or a grant or subsidy. It has been argued that remittances are less restricted than other capital flows, since they are free from political barriers and controls that might be attached to other forms of capital. (IADB, 2007) In macroeconomic terms, remittances have been found to be less mercurial than other flows of capital, notes Sorensen in her review of the literature. (2004) Remittances may even behave in a manner opposite to that of private capital flows, which tend to withdraw in times of instability. A recent study by the IMF, for example, concludes emphatically that remittances act countercyclically with relation to GDP, in accordance with a conceptualization of remittances as a “compensatory transfer”. (Chami et al., 2006) Consistent with this are findings that remittances rise in times of crisis – whether natural disasters, war, or a unique family crisis – supporting the idea that they act as a form of ad hoc social insurance. (Yang, 2003) Remittances can thus serve as a safety net that prevents families in times of crisis from slipping into (or back into) poverty.

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<sup>18</sup> Beyond individual to individual and individual to family transfers, there also exist collective transfers from a group of migrants in the host country to an individual, group, or organization in the sending country. Such transfers, most well known in the case of migrant “hometown associations”, constitute a somewhat different category of transfer that features distinctive patterns from individual and family transfers. They will not be addressed in this thesis, although San Jerónimo proper has an active hometown association that has played a part in promoting local development and environmental preservation efforts.

<sup>19</sup> The possible exception to this statement is that remittances are sometimes used to service the debt that the migrant incurred to make the journey. This debt may be owed to another family member, a friend, or directly to the ‘coyote’ or human trafficker who may have arranged the transport to the destination country. SANDER, C. 2003, *Migrant remittances to developing countries: overview and introduction to issues for pro-poor financial services*, UK Department for International Development, United Kingdom.

<sup>20</sup> In economic terms, migration in the latter scheme is an example of the utility of the migrant being imbedded in that of the family and vice-versa, so that migration and its product, remittances, are a continuous process of familial solidarity, albeit stretched across borders.

## 2.3 Findings on remittance mechanisms, dynamics, and demographics

### 2.3.1 Mechanisms of remittance transmission

A number of factors affect a migrant's decision to utilize a particular channel to remit. These include accessibility of services for the migrant, the fees charged, the accessibility of picking up the remittances for the receiver, the reliability and speed of the service, and others. (Sander, 2003) The World Bank has estimated that 78% of remittances are sent to Latin America through Money Transfer Operators (MTOs), with 11% carried by individuals traveling to the country of origin, and a scant 7% sent through banks. (Fajnzylber and López, 2007)

Microfinance institutions, though a small percentage of the market, are a growing and active method of transmission. (Orozco, 2007, Orozco, 2004) A recent survey of Latin American migrants found that 63% remit through a MTO, 19% through a bank or credit union, and 10% through the mail or a courier, and 8% give remittances to a person to transport. (IADB, 2006a) Informal systems also play a part in Latin American countries, though to a lesser extent today than a decade ago. (Orozco, 2004) Levels of informal remittance transmission are difficult to determine since they pass under the radar of most official measures of remittance flows. (Gammage, 2004)

The literature generally seems to indicate that MTOs are the preferred mode of transmission of remittances in Latin America. The use of other mechanisms such as banks, microfinance institutions, and credit unions is, however, slowly and steadily growing. It is notable that many migrants do, however, *receive* their remittances at a banking establishment. A survey undertaken by the Interamerican Development Bank indicates that 54% of remittances to Latin America are paid out at a bank or other type of non-MTO financial institution. (2006b). Costs of remitting vary depending on company, means of transmission, and the destination country. In general, transaction costs seem to be going down, in 2006 reaching an average of less than 6% per \$200 transaction. (IADB, 2007) A recent report by the Multilateral Investment Fund of the IADB estimated that remittance costs had come down 50% since 2000. (2006b)

### 2.3.2 Who sends and receives remittances?

The IDB estimated that in 2006 over \$60 billion dollars in remittances were sent by migrants to their families in Latin America. (IADB, 2007) Remittances are sent by a wide variety of migrants documented and undocumented, highly-trained professionals and low-skill workers, workers in the informal sector and formal sector, permanently settled migrants and temporary workers, those with families and those without, male and female, upper class through some of the poorest.

A recent study of remittance senders in the U.S. found that they are young on average, with 54% younger than 35. Average ages tend to be even lower for migrants from Mexico and Central America. Migrants could be considered "working poor" in the United States, earning an average of less than \$30,000 annually. The gender of migrants varies between countries, but in general men tend to slightly outnumber women in most countries. (IADB, 2006a)

In terms of average amounts, a 2006 IADB survey found that Latin American remitters sent an average of \$300 monthly back home, as compared \$240 and \$200 monthly recorded in previous surveys in 2004 and 2000 respectively. (2006)

Recent estimates tell us that approximately 20 million households throughout Latin America receive these remittances. (IADB, 2006b)<sup>21</sup> Remittance recipients are more often women than men. Across Latin America, percentages of receivers living in rural areas numbers slightly less than those hailing from urban areas, though this proportion shifts considerably from country to country. (IADB, 2007)

### **2.3.3 Factors shaping remittance decisions**

Amounts of money remitted depend on a variety of factors that relate largely to the context of both the sender and the receiver of remittances. Remittances vary based on demographic traits of the remitter, including age, race, gender, family status. They are strongly influenced by the characteristics of individual migrants, including their frequency of contact with the home country, the length of time abroad they have been abroad, their degree of investment in the host country. Remittances are also conditioned by particular cultural notions of appropriate levels of support for family at home, the strength of relationships family, and who is the receiving party, among other factors. The circumstances of those receiving remittances shape the decision of how much to send as well; the level of remittances tends to go up in times of crisis, for instance. (Yang, 2003) Menjivar et al. have found that a strong predictor of the decision to remit and the amount remitted is the income of the remitting household. They also found that a greater degree of investment in the country of origin (number of years of residence or decision to make permanent one's migrant status) seems to reduce the probability of sending remittances, as does having children in the host country. By contrast, the presence of the migrant's siblings and, particularly, the migrant's mother back home positively influenced the decision to remit. Owning a home in the host country appears to have an effect on the amount remitted to the home country. (Menjivar et al., 1998)

### **2.3.4 Characteristics of receiving households**

Studies have found that the economic status of those who receive remittances also varies greatly among countries. In their study of remittance receivers in Latin America, Fajnzylber and López found that in some countries, the poorest quintile of the population receive the lion's share of remittances. Mexico is the most extreme example of this, with 61% of receivers occupying the

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<sup>21</sup> The percentage of families that receive remittances shows great variety from country to country. More than 25% of Haitian households receive remittances, while in Peru 3% of the country's population receives assistance from compatriots abroad. Several smaller countries, such as the Dominican Republic and El Salvador, exhibit percentages between 10 and 25% FAJNZYLBER, P. & LÓPEZ, J. H. 2007, *Close to home: the development impact of remittances in Latin America*, The International Bank for Reconstruction and Development / The World Bank, Washington, DC. In many countries, remittances vary in the role they play in family incomes, as illustrated somewhat differently by numbers of per capita receipt of remittances. Mexico, for example, one of the largest countries in Latin America and the number one recipient of remittances, receives more per capita in remittances than its small neighbor Belize, or more than many islands in the Caribbean. IADB 2007, *Making the most of family remittances*, Inter-American Dialogue Task Force on Remittances, Washington, DC. <sup>21</sup>

first quintile. Ecuador, El Salvador, and Guatemala exhibit trends of upwards of 30% of remittances going to the lowest economic stratum. Counter posed with this are countries like Peru and Nicaragua, where upwards of 30% of remittances go to households occupying the top quintile and 6% and 12%, respectively, go to the lowest quintile. (Fajnzylber and López, 2007)

As we might expect, this distribution shifts when the economic status of receiving families includes the remittance income itself. The same study shows that the proportion of receivers occupying the lowest strata reduces significantly. In the case of Latin America, more than half of receiving households occupied the top two strata of income distribution once remittance income was added to the calculation. In tandem with this trend, the percentage occupying the lowest two strata falls off sharply. Mexico presents a contrast to this trend, with half of remittance-receiving families remaining in the two lowest quintiles even after factoring in the receipt of remittances. El Salvador and Paraguay also present exceptional trends, with 34% of 40%, respectively, of remittances going to the two lowest income strata. (Fajnzylber and López, 2007)

In general, the results of this study of 11 Latin American countries suggest that remittances are distributed unequally, with more than half of the remittances going to families in the three top quintiles, and only about a quarter of remittances going to families in the 60% of the population that is less well off. Thus remittances, in this sense, are on the whole more unequally distributed than income in this sample. Exceptions to this, as before, include countries like Mexico, El Salvador, and Paraguay, where remittances could be said to be reducing income inequality, since the distribution of remittances is less unequal than the distribution of income itself. (Fajnzylber and López, 2007) Other analyses have found that more than 50% of remittances in Latin American go to recipient households with an average income of less than \$200 a month, giving support to the claim that remittances are alleviating poverty for many low-income Latin Americans. (De la Garza and Lowell, 2002)

## **2.4 The uses of remittances**

### **2.4.1 Introduction**

Use of remittances and the determination of their impact are closely intertwined in the literature, sometimes making it difficult to get a global sense of how remittances are being used. From the studies that have been conducted, scholars of remittances have established some commonalities in remittance use, while continuing to offer these with the caveat that remittance usage tends to vary from location to location.

### **2.4.2 “Productive use” debate**

In general, there is agreement that remittances have a positive role in creating opportunities for families and averting situations of material deprivation. Yet there continues to be some disagreement over whether the use of remittances resources is “wasteful, productive, or rational” (Sander, 2003). The literature includes diverging points of view regarding how to categorize and define the uses of remittances, how they are measured, and what the existing data suggests about the role of remittances in the families and communities that receive them. This section first

reviews some of these contrasting viewpoints, and then moves to a treatment of the findings on how remittances are used by receiving families.

Particularly in the early history of migration studies in the ‘80’s and ‘90’s, many analysts took what has been widely called a “pessimistic” view of remittances. This perspective’s most salient characteristic was its determination that remittances were being used almost exclusively for consumption and for satisfying daily needs, and thus infrequently being employed in ways that might foster economic growth, what were termed “productive uses”. Several authors have argued that this view of remittances is limited. (inter alia Mahler, 2000, Durand et al., 1996, Tuirán, 2000, Adams, 1991) A profusion of alternative perspectives has given this debate greater nuance and largely debunked the notion of remittances as outright “unproductive.” Nevertheless, the term “productive uses” survives in the vocabulary of the field, and thus merits a discussion of some of the debate surrounding this notion. Additionally, from this debate have emerged points of view and directions that are useful in formulating the current study’s framework for analyzing remittance uses.

#### **2.4.3 “Productive use” critiques and their usefulness to structuring this analysis**

The conservative definition of “productive uses” characterizes them as remittances that are invested in businesses or economic enterprises that have direct economic growth potential, and funds placed in savings accounts which can theoretically be on-lent for economic development purposes. The unifying thread running through designations of “productive uses” seems to be those that present opportunities for creating economic growth. Theoretically, this could mean buying a hammer for a home business, for instance, or investing capital in starting a hardware store. The use of the term “productive uses” was (and, to a certain extent, still is) at the heart of discussions about how to harness the potential of remittances to create economic growth and development in receiving countries.

Problematically, definitions of what is and is not “productive” seem to diverge greatly, and in some cases the concept of “productive remittances” is left undefined or assumed as understood. As another example, housing and land are sometimes deemed “non-productive”, sometimes land is designated productive for agriculture or pasture use but not for housing, or shelter (presumably rent) is designated as consumption but a new house is categorized as productive. One report comments aptly that the determination of the productive nature of a remittance use is largely determined by the particular circumstances of its use. (Terry and Wilson, 2005)

Criticisms of a conservative definition of productive use seem to argue that the conservative concept is too limited in its designation of which uses can be “productive”. Definitions are often arbitrary, sometimes losing sight of the potential long term beneficial effects of investments like education (Taylor and Mora, 2006) It is variously (but not unanimously) argued that all uses of remittances can in some form have a productive use. Uses for consumption, for instance, represent a higher standard of living for many families, and this consumption in itself can have in turn multiplier effects. The additional food that is eaten, medicine that is shipped, and students

that fill a school can all ripple out to benefit the larger communities and keep productive enterprises in the business of providing such consumables.<sup>22</sup>

Durand and Massey's landmark study estimated that the arrival of \$2 billion migradollars generated \$6.5 billion worth of additional production in Mexico, with "particularly strong multiplier effects in manufacturing and services," implying associated increases in Mexican jobs and income. (Durand et al., 1996) Orozco has found in selected Latin American cases that migration and remittances have fueled demand and spurred growth of the "Five T's" – transport, telecommunications, trade, money transfers, and tourism. (Maimbo and Ratha., 2005) Though more difficult to quantify, remittances used for medical or educational purposes are seen as sustaining or building human and social capital, as shown, for example, in the study of Cox and Urriba on educational impacts of remittances in El Salvador. (Edwards and Ureta, 2003, Tuirán, 2000)<sup>23</sup>

Housing in particular has been singled out as a remittance-funded investment that could display particularly strong economic growth effects, (Mahler, 2000, Adams, 1991, Terry and Wilson, 2005)<sup>24</sup>, an idea that is largely regarded as conventional wisdom in more-developed countries. (IBRD, 1995, Baharoglu and Lindfield, 2000) These effects could include the growth of informal and formal businesses supplying materials, new employment opportunities, and, in the case of housing purchased through loans, the growth of the mortgage financing system and capital markets.

#### **2.4.4 Viewing remittance uses in terms of local context**

The local investment climate has a great deal to do with whether remittances are invested or not. Judgment of how productively remittances are generally used should not be made without better information about the particular context of investment. In this vein, Taylor writes, "Rather than concluding that migration inevitably leads to dependency and a lack of development, it is more appropriate to ask why productive investment occurs in some communities and not in others." (Taylor and Mora, 2006)

A need for an assessment of local conditions applies as much to more traditional "productive uses" such as business creation as it does to other uses like housing, education, and consumption. Decisions at the household level are based on assessments of a family's needs, and remittance income may be most valuable and necessary as a means of satisfying daily expenditures. Even in cases where consumption needs are satisfied and funds are available for investment,

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<sup>22</sup> From presentation by Manuel Orozco on June 8, 2007 at the Diaspora Forum for Development in The Hague, The Netherlands.

<sup>23</sup> When viewed broadly, improved nutrition, educational opportunities, better living conditions can mean less need to focus on day to day survival, perhaps providing actors with a stronger base from which to pursue opportunities for personal and community economic and social growth.

<sup>24</sup> As pointed out by Terry and Wilson, housing growth could also be accompanied by detrimental factors, such as escalating land and material prices. The occurrence of inflated land prices is also suggested in the preliminary findings of Serageldin et al. in their study of remittance impacts in Ecuador. SERAGELDIN, M., CABANNES, Y., SOLLISO, E. & VALENZUELA, L. 2004, *Migratory flows, poverty, and social inclusion in Latin America*, Barcelona. TERRY, D. F. & WILSON, S. R. (Eds.) 2005 *Beyond small change: making migrant remittances count*, Inter-American Development Bank, Washington, DC..

households may be making an eminently rational decision that the local environment is not conducive to such investments. (Meyers et al., 1998, Andrade-Eekhoff, 2004) Durand and Massey make the argument that in some places it may be wisest, in fact, for migrants not to invest their remittances in investments geared toward traditionally conceived “productive uses”. (Durand et al., 1996) Lowell et al. characterize it well, commenting that “it is reasonable that expatriates avoid high-risk emerging markets even when they happen to be in an expatriate’s homeland.” (Lowell and Gerova, 2004)<sup>25</sup>

Taken collectively, these criticisms argue for a more expansive definition of what constitutes a productive use. Most importantly for this study, they emphasize the importance of taking into account the local context when assessing the climate for the use and investment of remittances. This translates into a need for more studies that look closely at how remittances are used for particular purposes – such as housing – on a local level. They collectively point to a need for increased understanding of how remittances are used on this local level, how remittance expenditures are influenced by local social and economic conditions, and how remittance uses are engaging with and impacting local hierarchies and systems. Inspired by this direction, one of the goals of this study is to show how remittances play a role in and influence local systems of housing production.

#### **2.4.5 Difficulties of determining remittance uses**

Determining how remittances are used can be a complicated methodological endeavor. This is due in part to the informal manner in which remittances are spent (Brown, 1994) In most cases, they are not documented like other capital flows, such as foreign investment. Additionally, remittances are not typically distinguished at a household level from other types of income. They are, like other sources of income, fungible. Funds received from abroad are not put in a box labeled “remittances” and spent separately, but constitute a share, large or small, of the pool of income at household’s disposal. And unlike other capital flows, they vary widely depending on the particular circumstances of the family, one reason why the particularities of their use are best measured at the level of the household.

Adams comments, however, that some household budget questionnaires naïvely pose questions about how remittances are spent as if they were a source of separate income. Households may thus respond by giving an accounting of what their typical household spending is, since they may not consider remittances to be distinct from the aggregate pool of income. (2006) Adams and others have therefore stressed the need to look at remittance spending patterns comparatively, that is, to look at the spending patterns of households of similar economic backgrounds that are differentiated only by the receipt of remittance income. (2006, Yang, 2003, Taylor and Mora, 2006) Others have added that information on remittance spending is also frequently collected at a single moment in time, making it difficult to see how remittances may have been invested over

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<sup>25</sup> It has been argued that discussion of productive uses puts an undue burden on migrants to make decisions that would not be expected of other citizens: remittances are not “manna from heaven” FAJNZYLBER, P. & LÓPEZ, J. H. 2007, *Close to home: the development impact of remittances in Latin America*, The International Bank for Reconstruction and Development / The World Bank, Washington, DC., and migrants should not be expected to be the bearers of responsibility for their countries’ economic futures. TUIRÁN, R. (Ed.) 2000 *Migración México-Estados Unidos: Opciones de política*, Consejo Nacional de Población, México.

longer periods of time. (Tuirán, 2000) Following this, expenses for food, clothing, and medicine may be expended more frequently and thus be more likely to be reflected in non-longitudinal data, while a survey administered at one point in time may obscure uses such as housing that are more sporadic expenditures. Hence, this study utilizes a longitudinal and comparative approach to collect information about remittance expenditures relating to the subject of study, housing.

#### **2.4.6 Uses of remittances for consumption**

Remittance uses can vary widely from place to place, but some commonalities can be found. Much of the literature maintains that the great majority of remittances are used for what are variously called “consumption”, “daily expenses,” or “subsistence needs”: Though definitions vary, this can be roughly categorized as food, clothing, medicine, and household overhead expenses like electric bills or everyday nondurable goods. Taken as a whole, most reports of remittance use put consumption as the primary use, not infrequently at levels greater than 75% of remittances received.

The use for consumption may be explained by the proportion of total household income that remittances tend to represent. Studies have shown that remittances can represent a substantial percentage of the receiving households’ income. (Sander, 2003, Fajnzylber and López, 2007) This is somewhat in line with the view of remittances as a poverty reduction (or at least amelioration) strategy, since it is less likely that families will want for basic needs if they are receiving remittances to cover subsistence needs. (IADB, 2006b) One author has noted that remittances do not seem to be used for investment purposes until after immediate consumption needs have been taken care of. (Jokisch, 2002)

Some studies have found that the proportion of remittances spent on consumption follows very similar patterns to those exhibited previous to migration. In other words, households exhibit very similar proportional spending patterns before and after the point at which they began receiving remittances, even if the total funds that they have at their disposal have increased (Adams, 1991). Furthermore, families who receive remittances may spend more on consumption in sheer numbers, but the percentage spent on consumption may represent a similar proportion to that spent by non-receiving households. A recent study of seven Latin American countries generally suggests that households that receive remittances spend less proportionally on food and other non-durable goods than households without remittances,<sup>26</sup> a finding echoing the results of Adams’s analysis of an 8,000 household data set in Guatemala. (Adams, 2005, Fajnzylber and López, 2007)

#### **2.4.7 Other household uses of remittances**

Beyond use for consumption, the literature cites a range of different uses that display sometimes widely different proportions in different countries. A study of Latin America found that appreciable increases in spending were generally found only in health and education, with modest increases elsewhere. Another multiple-country study reported that education usage

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<sup>26</sup> We must note, of course, that this means a lesser proportion of a larger disposable income. Thus in gross terms remittance-receiving could be spending more in real terms but less in proportional terms.

ranged anywhere from 2 to 17%. Adams found that households spent on average a staggering 58% more on education than do households with no remittances. (2005)

Remittances are also invested in businesses or used to start an enterprise. (Sander, 2003) Sander writes in her review of the literature that nearly 20% of the capital invested in small businesses comes from remittances in some countries, such as Albania (Sander, 2003) In still other cases remittances may serve to support businesses that are not succeeding. (Meyers et al., 1998) Brown has found appreciable contributions toward savings. (Brown, 1994)

Other uses of remittances abound; indeed, remittances are used with as much variety as other income. Sometimes remittances are lent out to other remittances receiving households, or to households that do not receive remittances. Remittances also serve as a tool to pay the social obligations of family members occasioned by, for example, weddings, funerals, or births (Mahler, 1995). Sometimes they are used to pay back the loan that paid for the costs of the migration trip. (Poirine, 1997, Serageldin et al., 2004)

#### **2.4.8 Use of remittances for housing purposes**

The amount spent on housing exhibits a wide range. Using the aforementioned comparison method, Adams found that 53.9 % of the marginal income of remittance households in an Egyptian community was spent on the construction or repair of respondents' homes. (Adams, 1991) This finding applied to all but one income group. In other words, when remittances gave respondents more income to spend, the primary durable good that they spent it on was housing.

At the margin, the same author found that Guatemalan households receiving international remittances spend 2% more on housing than those without. (Adams, 2005) El Salvador exhibited noticeably higher spending in housing in a recent study, (Fajnzylber and López, 2007) but an earlier study found that housing improvements and construction constituted less than 1% of use. Interestingly, in a recent household survey of Latino remittance senders in the U.S., one-third of respondents said they had purchased property in their country of origin. The same survey tells us that Latino migrants in the U.S. are very interested in home loan products, indicating a desire to purchase or improve properties in their countries of origin. (IADB, 2006a) These findings are bolstered by a wealth of anecdotal evidence indicating that a great deal is invested in housing, but there is little unified information about how much is spent on a country to country basis.

#### **2.4.9 Dynamics of housing use of remittances**

Housing is one of the most visible uses of remittances, and perhaps one of the most anecdotally powerful. The image of the migrant mansion standing side by side with the adobe *casita* is frequently invoked in discussions of migration impacts. (Andrade-Eekhoff, 2004) But the dynamics of housing improvement and creation as a remittance use have been studied only minimally and the few examples that exist in the literature only touch the surface of the phenomenon.

In one of the most direct treatments of the topic, micro economist Una Okonkwo Osili looked at what motivated migrants to invest in housing in their Nigerian community of origin while still abroad. His empirical results suggest that stronger motivations for such investment are “signaling” e.g. creating a marker for the community of the household’s enjoyment of remittance income, and what he terms “membership rights,” or the securing of a migrant’s ability and right to an eventual return to residency in the community of origin. (Osili, 2004)

A study of poverty and social conclusion in Ecuador has suggested that migrant investments in housing have led to increases in construction labor costs and real estate values, perhaps increasing disparities between those with and without remittances. This same study notes that migrants may be leaning toward building in rural areas where land is more available, and are occasionally importing American-style homes into the local building repertoire. (Serageldin et al., 2004). Also in Ecuador, Jokisch found in his study of remittances’ impact on agriculture that migrants typically invested in land for the purpose of building future homes, not for increasing agricultural production. These homes are often lavish compared to traditional adobe structures. (2002) Anthropologist Peri Fletcher compellingly argues that migrant houses in a rural Mexican village embody shifting and sometimes contradictory notions of space, kinship, and community that emerge from global labor migration. (Orlove, 1997) This review of the literature has found no studies, however, that look specifically at the role that remittances are playing vis-à-vis the process of housing production.

## **2.5 Inputs to housing production and improvement**

### **2.5.1 Introduction**

The production and improvement of housing are made possible by the presence of certain inputs. These include land, labor, capital (or its equivalent), and building materials. Building economist Ranko Bon calls land and labor the “elemental powers or factors of production” – two ingredients required to transform raw material into building technology or materials. Capital is both the mechanism that makes this possible and the final capital good that is produced. (Bon, 1989)

Land itself provides the site for the final capital good that is produced, the house that is the sum of the process of production. It can be the area owned by the housing users, but can also be one a range of classifications of tenure and still serve as an effective input to housing. (UN-Habitat, 2006, Ward et al., 2004) Labor can be the labor of the household owner, the labor of family and friends, the labor of paid professionals or firm, or a combination thereof. (Turner and Fichter, 1972) The building technology or materials are likewise flexible; they can range from the most expensive manufactured finishes to clay from the ground, and anywhere in between. Capital can assume a number of forms, including individual or collective savings, earnings, borrowed capital, government subsidies, and others. Where cash capital is not entirely necessary, it can be supplanted by the labor of the owner, by bartering, or by mutual aid: not every situation demands monetary capital.

## 2.5.2 Mechanisms for accessing capital for housing

Though not necessary in all situations, capital is a central issue to the improvement or production of housing in many if not all countries in the world. (Bon, 1989) Strategies for accumulating or accessing capital are various. Housing finance is one method of accessing capital for housing purposes. Housing finance systems occupy the niche of the financial world known as capital markets. In theory, if capital markets work properly, individuals deposit their money in bank accounts, mutual funds, or other types of saving accounts, and those institutions then lend those funds out for housing, or loan them to other entities that provide housing loans. Although the system is much more complex than this, the basic process follows these contours of serving as a mechanism of “intermediation” between savers and borrowers. The main purpose of the housing finance system is to mobilize savings from individuals and direct those savings into housing investments (Baharoglu and Lindfield, 2000) The availability of financing for housing investments can be a key factor in increasing the number of households that are able to improve their quality of housing – the effective demand for housing. (IBRD, 1995)

Although this system in theory could serve to connect all of those with a capacity for savings with those who have a need for a loan, scholars have found that in practice it is a system that remains out of the reach of a large percentage of housing users throughout the world, especially the lowest economic strata in developing countries. (Buckley and Kalarickal, 2006, Mitlin, 1997) Reasons for this are numerous. In some cases, housing finance institutions have not identified all groups in society as target markets, or have, perhaps erroneously, concluded that such groups have little capacity for savings, interest in loans, or both. (Baharoglu and Lindfield, 2000) Housing finance mechanisms may also not be designed to cater to the needs, capacities, and life patterns of lower-income groups. (Kim, 1994) This does not necessarily mean that such groups would not be able to pay a loan, *per se*, but that they would not be able to access a loan due to eligibility requirements that do not match their life circumstances. (Baharoglu and Lindfield, 2000) Examples of this might be loans that require property title as collateral, demand formal proof of income, or underwriting standards that ask for a consistency of income that households cannot prove or guarantee. In other cases households may even meet requirements, especially in cases where financial institutions have grown more flexible, but are inhibited from accessing these institutions by long-held fear or distrust of the security of financial institutions. Illiteracy or limited education can amplify any of these limitations.<sup>27</sup> Both real and perceived security of financial institutions is necessary to mobilize savings. (Christian, 1980) The disconnect between housing users – especially the poorest – and formal housing finance institutions is often rooted in a lack of experience with *any* formal financial institution or financial mechanism, including bank accounts. (Buckley and Kalarickal, 2006)

If users’ ability to access any of these inputs is inhibited by their own circumstances or the failure of market mechanisms to offer viable alternatives, users often take other steps to achieve their desired housing outcomes. Those not served by formal financial institutions have shown great resourcefulness in creating mechanisms for accumulating capital to achieve goals of housing creation or improvement. (UN-Habitat, 2006) NGOs and community organizations that support low-income housing users have helped to facilitate the process of raising capital for

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<sup>27</sup> Literacy need not be a deterrent, however, as demonstrated in the profusion of successful microfinance projects in areas with high rates of illiteracy.

housing purposes, and the housing policies of many developing countries have to differing extents incorporated techniques that originated amongst the poor. (Buckley and Kalarickal, 2006, Mitlin, 1997, UN-Habitat, 2006) The literature cites a wide range of tactics for capital accumulation, including community-based savings programs (Satterthwaite and D'Cruz, 2005), micro-finance (Stein, 2005), cooperative housing associations (Mitlin, 1997), building societies (Christian, 1980), rotating credit societies (Baharoglu and Lindfield, 2000), ROSCA's (Wenner et al., 2003), and many variations thereof. Capital is also accessed through informal money lenders charging interest rates, or facilitated by credit offered by small contractors or suppliers. Individuals and families borrow from family and friends as well to gather the capital they need for housing purposes. Not unlike formal financial institutions, these various methods of accumulating capital use frequently use some form of savings and disbursement as their means of achieving desired housing outcomes.

### **2.5.3 Self-help housing processes**

Humans have long taken responsibility for constructing their own dwellings, before and after the advent of capitalism. In addition to the process of gathering the resources or the capital necessary to build a home, individuals have played a part in every aspect of securing the inputs to bring a house into being: the land, the labor of construction and the materials that make up the house. A common alternative today is, of course, to use capital to purchase a house that has been constructed by some other, whether another individual, a small business, a government agency, or a large multinational firm. Home purchases are the norm in the developed world. In the developing world, as already argued, the inaccessibility of capital and the inadequacy of income put purchasing a home out of the reach of the great majority of the population.<sup>28</sup>

Without options for accessing capital – much less purchase housing – households pursue other means of assembling the inputs to achieve desired housing outcomes. Based on his experiences working with communities in Peru and the United States, the architect John F.C. Turner advanced what became landmark theories about how and why individuals construct housing independent of what he calls “centralized systems” of housing production, such as governments, developers, or construction contractors. (Turner, 1976) Self-help housing, argues Turner, rests on the premise that households maintain control over the authority to make decisions about the means of production of their housing.

When dwellers control the major decisions and are free to make their own contributions in the design, construction, or management of their housing, both this process and the environment produced stimulate individual and social well-being... (Turner and Fichter, 1972)

Turner argues that the “construction and maintenance of adequate housing...depends on the investment of resources which households themselves control” and all of the decisions that flow from having such control. (Ward, 1982)<sup>29</sup> A popular image of self-help housing may be that of,

<sup>28</sup> Personal preference also obviously plays a big part in the decisions that individuals and families make about their housing. Some may choose to pursue techniques of self-construction even if they were theoretically able to acquire the capital and purchase a property from some other.

<sup>29</sup> A bank, a developer, or a government agency dictating standards of construction would be unlikely to be found in examples of true self-help construction, in other words.

say, *favela* dwellers in Rio de Janeiro incrementally improving their hillside homes. This need not be the case, affirms Turner in his later work: Some of the research that gave rise to his theories was based on middle-income self-help housing projects in the United States. Furthermore, the labor participation of the household in the actual construction work is not a *sine qua non* condition of self-help housing. Turner writes that the “critical issue is decision-making, not labouring.” (Ward, 1982) These decisions can be those of the individual household, or decisions that are taken up by a larger social unit. (Ward, 1982) While Turner’s theories have sometimes been criticized as too narrow-sighted or moralistic in their advocacy of self-help housing, they provide a helpful framework for thinking about how households develop and control their own means for satisfying their housing needs.

To review, many actors in Latin America and throughout the world improve or build housing largely through their own efforts. The method of production has a great deal to do with what tools and knowledge housing users possess, what financial and human resources they have at their disposal, and what systems they have utilized in the past to improve or build housing. In such systems a relative lack of capital means that mutual aid is necessary, resources must be cautiously used, and efforts to build or improve housing may be largely incremental. Households utilize a variety of mechanisms to accumulate capital.

Actors pursue means of building housing that are within their own control because the mechanisms offered by the market are either out of their reach – not qualifying for a housing loan, for instance – or outside of their frame of reference – not even entertaining the idea of a loan. Some would call this a market failure, others would call it a local way of doing things that has evolved to suit the needs of users in a specific context. This approach to accessing housing may be born out of necessity, but it can afford users a great degree of autonomy in controlling the housing production process, tailoring it to the needs and capacities of the household. Ultimately, this self-help process is the main experience that many households throughout the developing world have in improving their housing options.

## 2.6 Proposal for a framework for analysis

Given the limited study that has been carried out regarding the uses of remittances for housing purposes, few theoretical reference points exist that can guide this study. I will take up the direction proposed by other authors, detailed earlier, who indicate the need for research into how remittances are used at a local level. This need is based on the idea – mostly unexplored with regard to housing – that the use of remittances may be strongly influenced by local conditions. Since remittances are an intrafamilial flow of resources, an understanding of how households use them in the context of local systems can ultimately shed light on the impact of these global flows.

This study links two different fields of study – remittances and housing – and strives to show the role that remittances play in the housing process in the study locale. The framework for analysis will serve as the bridge connecting the study of remittance uses to the study of the strategies of housing production and improvement. A review of literature in both fields has revealed key indicators for carrying out this analysis. Table 1 on page 28 breaks down these indicators into

three basic groupings: household characteristics and remittance receipt patterns, the housing process, and housing outcomes.

The literature on remittances emphasizes that household characteristics have a big influence on the use of remittances, and are one of the biggest parts of the local context for remittance use. Accordingly, the first grouping of indicators tells us about key aspects of the household: economic status, occupation, educational level, and others. In addition, writings on the dynamics of housing capital justify a need for data on the household's use of banks and loans and their attitudes toward financial services. These and other indicators – such as educational level and income – have a potential impact on a household's access to housing finance and their decisions about how to fund housing expenditures.

This first grouping also includes a series of indicators at the crux of this analysis, namely, whether or not households receive remittances, and if so, how much they receive, with what regularity, and from whom. Indicators relating to migrant members of the household were also collected, including their time abroad, their relationship to the household, and other demographic indicators that provide context for patterns of migration and remittance use.

The second group likewise responds to the methodological direction of looking closely at the local context of remittance uses. Writings on the dynamics of informal and self-help housing processes yield a series of indicators on workings of the local housing process. Indicators relating to capital, materials, land, and labor tell us how housing gets produced locally. Informed by the literature on housing, indicators pay particular attention to capturing informal and family-based aspects of housing strategies that may exist. These include the timing of the construction process, labor contributions, supervision of the work, material acquisition, and detailed dynamics of the land purchase process. Historical perspectives on the local housing process serve as indicators of the longer-term local context for housing improvements.

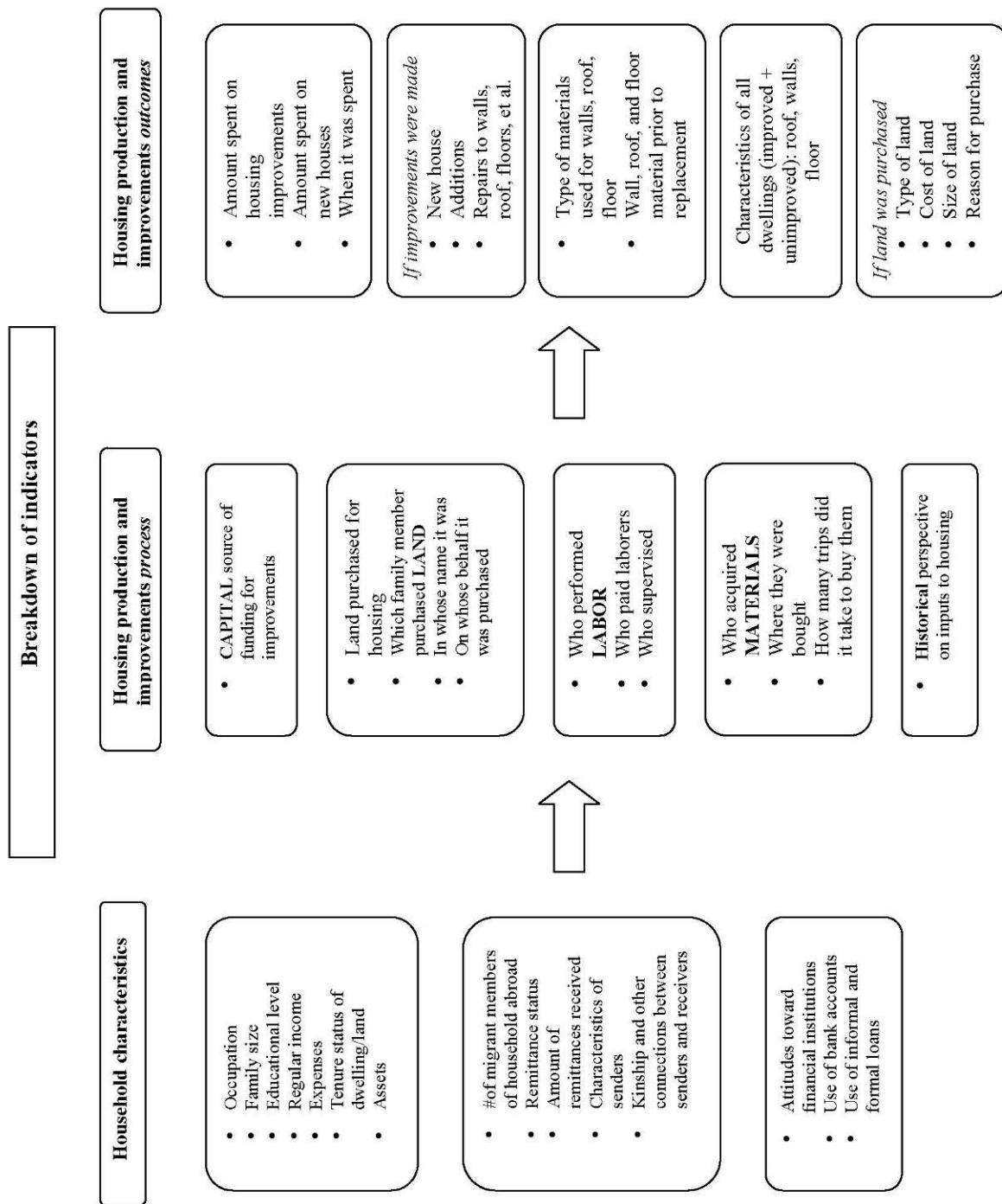
The third grouping of indicators describes housing and land outcomes – the type and scope of housing improvements and land purchases that households have made. This set of indicators is basic but powerful, telling us what improvements households have made over the last decade and what kind of materials they use. Indicators on physical aspects of all houses also give us basic data of the face of housing in the San Jerónimo area.

To state it as simply as possible, the framework for analysis takes indicators of household characteristics that influence households' use of remittances and links them with indicators that shed light on the unique workings of local housing processes. This combined framework addresses the need to see how remittances' use for housing is conditioned both by aspects of the household and aspects of the local housing context. Addressing the research objectives, this framework will make it possible to analyze how a global phenomenon, remittances, is impacting households on a local level – how remittances play a role in the process of housing production and improvements, and what impacts these global flows have on housing outcomes in the study locale.

A focus on the local context of remittance uses does not mean that the significance of the results ends at the boundaries of the study locale. An analysis of the local dynamics of remittance use

can open up a broader perspective on the role that remittances may be playing in other locales where these global financial flows intersect with largely informal and autonomous housing production strategies. A local perspective can thus build on our understanding of how remittances could more globally serve as a tool for households to improve the circumstances in which they live, as well as our understanding of the resourceful ways that households address their housing needs.

**Table 1: Breakdown of indicators**



## **Chapter Three – Local and national context and the role of migration and remittances**

### **3.1 The national context – El Salvador**

#### **3.1.1 Introduction**

This chapter provides background on El Salvador and the role that migration and remittances play there. It begins by setting the stage at a national level, describing important aspects of the Salvadoran economy, and then moves to a treatment of the role of migration and remittances on a national scale. Following this, economic and social conditions in the study locale are described. This leads into a snapshot of local migration trends, and an accounting of who is sending remittances, who is receiving them, and what roles they seem to be playing locally. This chapter will serve to frame the argument that remittances play a powerful role in improving life conditions for families that receive them. Looking at both the local and national context allows us to see that the study locale exhibits many of the same trends that can be seen at the national level. Descriptions of local migration and remittance patterns – the degree of connection of migrants, the role of remittances in family income, the magnitude of these flows – will build the context for later analysis of the role that remittances play in housing production and improvements.

#### **3.1.2 Country background**

Looking at a map of Central America, it would be hard to imagine the level of dynamism that comes from this small tropical country of El Salvador, known affectionately by its inhabitants as the “little thumb” of Central America. Its mountainous and volcanic topography speaks to the ups and downs of its history as a country of dynamic, friendly people that has weathered a number of human and societal catastrophes, with natural disasters following a brutal civil war during the 1980’s. The story of migration adds a chapter to the tale of the survival spirit of the Salvadoran people.

At 326 inhabitants per square kilometer it is the mostly densely populated country in mainland North or South America. (DIGESTYC, 2005) Nearly seven million inhabitants are spread across 21,040 square km – an area about the size of Massachusetts and half the size of the Netherlands. Forty percent of the households in the country are located in rural areas and 58 percent in urban areas. The largest urban agglomeration is the capital of San Salvador. (CIAWF, 2007)

Once an export economy primarily based on agriculture, the service industry now makes up the bulk (61%) of El Salvador’s gross domestic product, followed by industry (29%) and agriculture last at 10%. Occupational distribution follows somewhat similar patterns, with 66% employed in service, 17% in industry, and 17% in agriculture. (CIAWF, 2007)

El Salvador ranks 101st of 177 countries listed on the United Nations Development Program’s Human Development Index, a compendium of several development indicators. (UNDP, 2007) It is designated a “lower-middle income” country according to the World Bank. (WB, 2007).

Thirty-five percent of Salvadorans are estimated to live in poverty.<sup>30</sup> Twelve percent of these live in extreme poverty (i.e. with an income that does not allow them to cover daily food costs) The other 23 percent live in conditions of relative poverty, defined as being able to cover the most basic food costs but not satisfy all of their necessities for clothing, education, health and other basic services. (DIGESTYC, 2005)

### **3.1.3 Perspective on rural conditions**

Various indicators show that social and economic conditions are more difficult in rural areas of the country. Thirty-one percent of urban households are classified as poor as compared to 43 percent of families in rural areas. Accordingly, rates of extreme and relative poverty are both higher. In terms of income, rural households earned almost half as much as urban households on a monthly basis, \$279 compared to \$527. More than four times as many residents of rural areas are illiterate, and the level of schooling achieved in rural areas falls just shy of four years, whereas urban dwellers complete nearly seven years of school on average. Other indicators of social welfare and quality of life such as housing conditions and health show similar disparities between urban and rural populations. (DIGESTYC, 2005)<sup>31</sup> Higher proportions of houses without access to sewage or piped water and houses with dirt floors are concentrated in rural areas with higher poverty, (FISDL, 2004) potentially leading to a range of negative consequences for family livelihood. Seventy-two percent of the Salvadoran housing deficit, as measured both quantitatively and qualitatively, is found in the rural zones of the country. (FUSAI, 2004)

## **3.2 Patterns of Salvadoran migration**

### **3.2.1 Brief history of Salvadoran migration**

Until the 1970's migration remained mostly internal. When it extended across international borders it was in the close proximity of El Salvador, concentrated in movements of farm labor migrants between El Salvador and neighboring Central American countries. (Molina) Political disturbances – encapsulated in the brief but impactful “Soccer War” – influenced the return migration of many Salvadorans from neighboring Honduras. The decade of the 1970's saw a strengthening of migration pointed outside of Central America. Expanding opportunities and legal options for migration to North America paved the way for some, while others made their way north clandestinely. The 2005 UN Human Development Report on Salvadoran migration – a landmark multidimensional study of Salvadoran migration – identifies lack of employment, lack of land to farm, growing levels of political violence, and resulting social and economic

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<sup>30</sup> The UNDP has produced higher estimates of poverty, totaling 42 percent nationwide. Sixteen percent of these live in extreme poverty and 26 percent live in conditions of relative poverty, defined by the UNDP as being able to cover basic food costs but not satisfy all of their necessities for clothing, education, health and other basic services. UNDP 2005b, *A Look at the New “Us”, The Impact of Migration*, United Nations Development Program, San Salvador.

<sup>31</sup> In rural areas, for example, 40.8% of households have a dirt floor and 29.9% concrete tiles, while in urban areas a small percentage have dirt floors and 74.45% have concrete tiles. DIGESTYC 2005, *Principales resultados de la encuesta de hogares de propósitos múltiples 2005*, Ministerio de Economía, Dirección General de Estadística y Censos (DIGESTYC), División de Estadísticas Sociales, San Salvador.

instability as some of the main factors that fueled decisions to migrate during this period. (UNDP, 2005b)

The decade of the 1980's was marked by a civil war that heavily impacted Salvadorans' way of life, economy, and migration patterns. The war created an environment of violence and insecurity throughout much of the country, and compounded already unstable economic conditions, even for those who did not live in conflict zones. Isolation of some regions of the country by the rebels and widespread forced recruiting by the army added to the instability of everyday life for Salvadorans. These factors drove many to emigrate. Yang's analysis of migration patterns during this period reveal a sharp spike in migration at the beginning of the war in 1980, followed by a steady flow of migrants during the first years of the 1980's. (Yang, 2003) During this period some were able to reunify with family who had migrated earlier, and others were able to take advantage of legal options for migration, and, in some cases, programs of political asylum. (UNDP, 2005b) The 1986 United States immigration reform act opened up options for regularization of the status of many Salvadorans residing in the U.S., and resulted as well in reunifications with family brought from El Salvador. (Gammage, 2007) The pace of illegal migration also stepped up in this era. Some found their own way north, while others depended on the paid guidance of *coyotes* – those who make it their business to transport people illegally across international borders.

The UNDP marks the Peace Accords that ended the war in 1992 as the beginning of the latest phase of migration. Although this turn of events motivated the return of many who had fled or been displaced during the war, difficult economic conditions influenced continued migration, and provoked the re-migration of many who had returned. (UNDP, 2005b) Pivotal events in the 1990's through the turn of the century sustained this trend. An economic downturn starting in the mid-1990's weighed on Salvadorans' economic prospects, and a drop in the price of coffee – once one of the country's main exports – contributed to the weakening of the agricultural sector. Major natural disasters compounded already difficult conditions, as Hurricane Mitch in 1998 and earthquakes in the early part of this century took their toll on large parts of the country. While the 70's and 80's saw a growth of about 73% in migration, between the 80's and 90's the number of Salvadorans leaving the country grew by over 300%. Although the country has largely recovered from these disasters and has experienced some economic growth, rates of migration have remained strong. (Gammage, 2007) This has a great deal to do with a disjoint in opportunities between El Salvador and other countries, a fact that continues to position migration as an attractive strategy for many families to improve their life circumstances.

### **3.2.2 Scope of migration**

The question of how many migrants there are continues to generate debate. Estimates of the number of Salvadorans living outside of the country vary widely. United States sources differ significantly from Salvadoran estimates, and both sets of estimates range within themselves. The 2000 U.S. Census estimated over 650,000 Salvadorans to be living in the United States, a number widely disputed based on a potentially confusing change in ethnic categorizations. This low estimate, would mean that 10.4% of the Salvadoran population resides in the United States. Corrective estimates from various sources put this percentage anywhere between 13 and 19 percent. Salvadoran government estimates claim levels of as high as 40% of the Salvadoran-

born population who live abroad, primarily in the United States. This extremely wide range of estimates is largely a result of different techniques of measurement and the fact that so many migrants who make the journey do not pass through any official register.

The UNDP posits that 13% is the most reliable estimate of the proportion of Salvadorans living abroad. (UNDP, 2005b) Whatever the estimates, there is a consensus that more than 10% of the entire Salvadoran population lives abroad, and that migration patterns continue to grow without precedent. Even relying on conservative estimates, El Salvador stands out in the number of migrants who live abroad in relation to its national population.

### **3.2.3 Profile of the Salvadoran migrant population**

Migrants are concentrated primarily in four areas of the United States. Forty-four percent live in California, followed by Texas with twelve percent. The District of Columbia, Maryland, and Virginia are home to 14% of Salvadoran migrants. Nine percent of the population lives in New York. In the District of Columbia – the nation’s capital – Salvadorans are the largest migrant group, representing 22% of the foreign-born population. The number of Salvadorans in the U.S. is extremely high relative to El Salvador’s size, with Salvadoran immigrants making up 2.6% of the foreign-born population. Migrants from India, as a point of reference, constitute 3.8% of the U.S. foreign-born population. (MPI, 2007, citing Census 2000 statistics).

One author has estimated that the majority of migrants living in the U.S. are between 24 and 35, and 54% of remitters are male. (Orozco, 2006) In comparison to the population of El Salvador, migrants in the U.S. are more likely to be of working age (20-49), corresponding with many migrants’ status as labor migrants, confirms another study of U.S. Census statistics. (Yang, 2003) These migrants come from a cross-section of Salvadoran society, but may be more likely to come from poorer backgrounds than the average Salvadoran. UNDP data indicates that a majority of remittances are sent to extremely poor or relatively poor households (2005b), suggesting that the migrants that remit to their homes were once of a similar socioeconomic status.

Migrants’ length of stay in the U.S. also varies; exact figures are difficult to determine given the undocumented status of many migrants. Yang’s analysis based on 2001 figures shows that the length of time in the United States is roughly similar across time-groups (0-5, 6-10, 11-15, 16-20, and 21+ years), with 40% of migrants in the U.S. for less than 10 years. This contrasts with earlier numbers, which show that 75% of migrants had been in the U.S. for less than ten years as of 1990.<sup>32</sup>

In Latin America, writes Serageldin et al., migration has come to be seen as a viable means for advancing one’s socioeconomic status, making households willing to risk or liquidate assets, empty savings, or incur debt to make the journey. (2004) The UNDP estimates that 700 migrants leave the country every day and make their way along clandestine routes to pursue

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<sup>32</sup> Yang projects that this trend will continue, reducing the proportion of such new migrants. This has possible implications for the stability of remittance flows, given that remittances tend to drop over time. Remittances can, however, be bolstered by continued new migrants. YANG, D. 2003, *Salvadorans overseas: the foundation of a pro-poor growth strategy*, University of Michigan, Ann Arbor.

opportunities abroad . Eighty to eighty-five percent are estimated to reach their destination. In years between 1998 and 2004 129,000 Salvadorans were deported back to El Salvador. (UNDP, 2005b) In 2005 alone over 33,000 were deported for various reasons from the U.S., Mexico, and Guatemala, and a large part of these were likely would-be migrants.

In the words of anthropologist Sarah Mahler, migration is no “whimsical decision” (Mahler, 1995) given the difficulties that migrants frequently subject themselves in order to reach their destination and achieve their goals. For those who are living without documentation in the United States, for example, the specter of deportation can cast a shadow of fear across their daily lives. Forty-five percent of Salvadorans have become U.S. citizens, while the remaining 55% are non-citizens. (Yang, 2003) It is unclear what percentage of those who are non-citizens have an undocumented status (i.e. not in the country legally), since the Census does not directly record such figures. Orozco estimates that 37% of the population is undocumented. (2006) Salvadoran media perhaps exacerbate this climate of fear, with frequent headlines about deportations and migrant-related tragedies.

In the eyes of many migrants, the migration’s payoffs seem to outweigh its rigors, as evidenced by increasing numbers of Salvadorans who decide to migrate. A main attraction of migration is the prospect of increasing earnings abroad. Salvadorans in the United States were estimated to earn \$13,833 annually in 2004, as compared to an average of \$2,342 in El Salvador. This is almost six times the earning of the average Salvadoran, and is seven to eight times the average salary of a day laborer in rural El Salvador.<sup>33</sup> (UNDP, 2005b) Salvadorans work predominantly in the service (65%) and construction sectors (28%), according to 2000 Census figures cited by Yang. A small percentage occupies managerial or professional positions. (Yang, 2003)

In general, Salvadorans have a higher standard of living in the United States, as revealed in a recent statistical comparison of migrants to their compatriots in El Salvador. In 2004 El Salvador scored .731 on the Human Development Index. Salvadorans abroad scored .851 according to the UNDP report, a lower tier of conditions for human development than the average American, but far higher than the average Salvadoran. (UNDP, 2005b) These numbers echo Yang’s findings that Salvadorans living in the United States score higher on major indicators of social well-being than their compatriots back home. (Yang, 2003) Families make intensely personal decisions about migration based not on social indicators, of course, but based on the idea that they will be able to improve their living conditions and the future of their children. It naturally follows that the prospect of better life conditions is a driving force in decisions to migrate.

### **3.3 Migrant remittances to El Salvador**

#### **3.3.1 The role of remittances nationally**

Migration clearly plays an enormous role in Salvadoran society. In turn, the remittances that migrants send back are one of the most visible indicators of the impact of migrations on the country. Remittances to El Salvador were 3.3 billion dollars in 2006. (BCR, 2007a) Official

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<sup>33</sup> Author’s estimate based on population sample’s typical daily earnings (\$5-6 per day based on a 6 day work week).

estimates may be conservative, since they do not take into account amounts that may have traveled through informal channels. (Agunias, 2006) Over the last decade remittances have continued to grow. In 1997 remittances stood at 1.2 billion dollars annually, meaning a growth of 276% over the last ten years.<sup>34</sup> Based on receipts during the first six months of 2007, remittances could surpass 3.4 billion dollars in 2007.<sup>35</sup> Comparison to major macroeconomic and developmental indicators gives a snapshot of the profile of remittances in the Salvadoran economic landscape:<sup>36</sup>

- Remittances represent nearly 18% of the gross domestic product .
- They represent 94% of the value of exports, and 43% of the value of imports.
- They nearly match the sum of all foreign direct investment
- They are six times more than all overseas development assistance combined.
- They are equivalent to 91% of the national budget.
- They constitute 202% of all social spending.
- The total income that was earned by Salvadorans in the U.S. in 2004 was roughly equivalent to 127% of El Salvador's gross domestic product in that year.

Comparison to other macroeconomic indicators gives us a sense of the enormous scale and impact of remittances. This should not obscure the fact that remittances are mostly small, incremental, intra-family transfers. Migrant by migrant, house by house, family by family, it is their volume, consistency, and direct orientation toward the betterment of the household's quality of life that make them so powerful.

El Salvador was the third highest per capita receiver of remittances in Latin America in 2005 at \$411 annually per capita.<sup>37</sup> (Fajnzylber and López, 2007, IADB, 2007) Twenty-two percent of Salvadoran households were estimated to receive remittances in 2004. The majority of these households are located in five departments: San Miguel, Cabanas, Chalatenango, Morazan, and La Union, with pockets of remittance density scattered throughout the rest of the country. (UNDP, 2005b) Many are also located in the capital, San Salvador. Forty percent of remittances went to rural areas, (IADB, 2007) about the same as the percentage of rural households in the nation. Within a given municipality, the percentage of households receiving remittances can range widely, from as low as .6% to an extreme of 63% of the households receiving remittance income. (UNDP, 2005b)

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<sup>34</sup> Based on figures received from the Balance of Payments Department of the Central Bank of El Salvador. BCR 2007a, *Ingresos mensuales en concepto de remesas familiares*, Banco Central de Reservas, San Salvador.

<sup>35</sup> Ibid. Projections for 2007 have been made by the author.

<sup>36</sup> Figures are for 2006 except for ODA and national spending figures. Sources: BCR 2007b, *Inversión extranjera directa por país de procedencia*, Banco Central de Reserva de El Salvador, [Online]. Available: [http://www.bcr.gob.sv/estadisticas/se\\_inversion.html](http://www.bcr.gob.sv/estadisticas/se_inversion.html) IADB 2007, *Making the most of family remittances*, Inter-American Dialogue Task Force on Remittances, Washington, DC, UNDP 2005b, *A Look at the New “Us”, The Impact of Migration*, United Nations Development Program, San Salvador, UNDP 2007, *Human development indicators country fact sheet - El Salvador*, [Online]. Available:

[http://hdr.undp.org/hdr2006/statistics/countries/country\\_fact\\_sheets/cty\\_fs\\_SLV.html](http://hdr.undp.org/hdr2006/statistics/countries/country_fact_sheets/cty_fs_SLV.html) [September 2007].

<sup>37</sup> This figure reflects the amount of remittances received in total divided by the total number of inhabitants of El Salvador.

Some other national figures about remittance receiving households:

- 72% of recipients are female (Orozco, 2006)
- They exhibit higher rates of illiteracy (28%) than households without (22%)
- 48.5% lived in extreme poverty without considering remittances as part of income, as compared to 22.5% of households not receiving remittances.<sup>38</sup>
- The majority of migrants use money transfer outlets to send remittances, and families typically receive these remittances at bank branches in El Salvador. The average cost per transfer has been estimated at 5%. (Orozco, 2006)

These and other recent numbers indicate that remittance receiving households are, in general, poorer than the general population. (Fajnzylber and López, 2007) Remittances income thus appears to have an effect in lifting households out of poverty, or at least reduce the level of poverty that they experience. In rural areas, for example, 48.5% households receiving remittances lived in extreme poverty, as compared to 22.5% of households not receiving remittances. When we factor remittances into the family income, the figure of 48.5% drops to 7.6%. The number of households designated as “not poor” more than doubles as well, from 33 to 71%. (UNDP, 2005b) Remittances thus seem to be playing a part in lowering the degree of economic inequality in at least some areas.<sup>39</sup>

Remittance households received an average of \$159 per month, according to the UNDP, amounting to \$1,908 annually. (UNDP, 2005b) Earlier data from Yang reveals an average of \$1,200 per household in 2002. Based on data from extensive Salvadoran government household surveys, Yang also found that in 2002 remittances represented the highest share of household income ever, standing at 51%. This shows an appreciable increase from percentages of 30 and 29 in 1992 and 1998, respectively. Remittances role in household income can, of course, differ greatly from family to family and town to town.<sup>40</sup>

### **3.3.2 Remittance uses nationally**

National statistics tell us that Salvadoran households tend to use remittances to satisfy consumption needs. When not being used for consumption, remittances go toward savings and pay for educational and medical expenses (see Figure 1). Housing uses are estimated to constitute 1.5% of remittance usage, but this number includes rental payment as well as improvements. Improvements and construction represent a tiny .27% of remittance uses, according to the EHPM survey. in 2006<sup>41</sup> This would mean that housing improvement uses

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<sup>38</sup> This figure may not be an accurate comparison, given that the remittance-receiving household could be said to have lost income when the migrant household member departed. This imputed income could raise the household income.

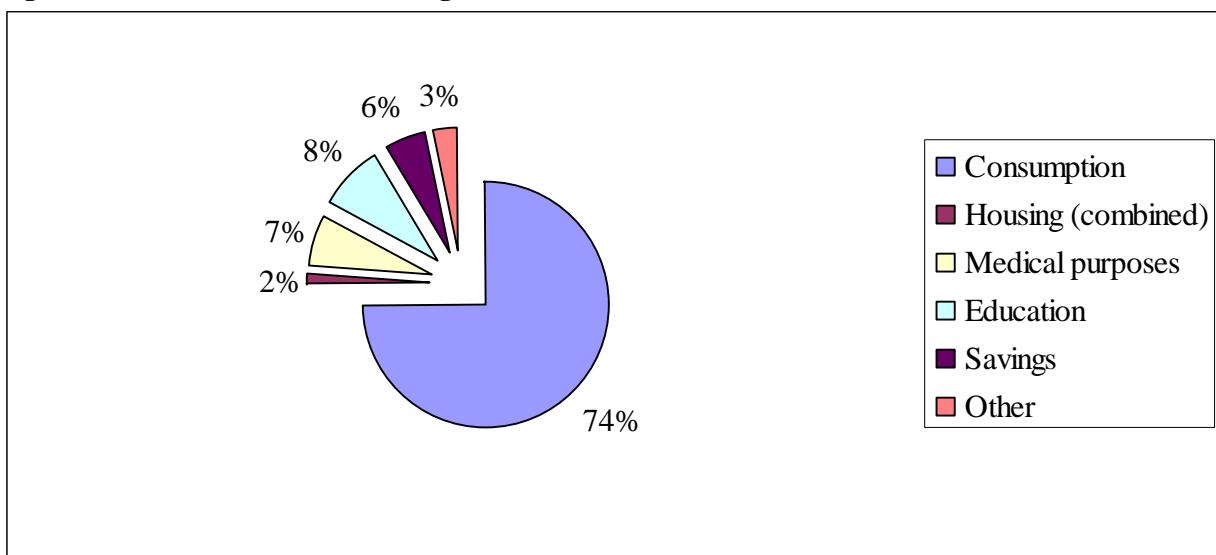
<sup>39</sup> As measured by the Gini coefficient drop from .65 to .43 (PNUD). If we look at a more local level, remittances could be increasing the gap between rich and poor in some communities as well.

<sup>40</sup> Orozco, for example, writes that remittances represent an average of 80% of household income for receiving households in the town of Suchitoto. IADB 2007, *Making the most of family remittances*, Inter-American Dialogue Task Force on Remittances, Washington, DC.

<sup>41</sup> Author's calculations based on data from the 2006 Encuesta de Hogares para Propósitos Multiples (Multi-Purpose Household Survey). Data on remittance uses provided to the author by the Ministerio de Economía, Dirección General de Estadística y Censos (DIGESTYC), División de Estadísticas Sociales.

represent less than 8 million of the over 3.3 billion dollars received in remittances in 2006. Yang, among others, has noted that the reliability of these figures could be questionable given the fungibility of remittances as a source of income, an argument detailed in Chapter 2. (2003) He has noted that comparisons of receiving and non-receiving households' expenditures may give us a better idea of how remittances are being used. Such comparisons – by the World Bank, for example – indicate that remittances are used much like other income, primarily to satisfy daily needs. It has been found, however, that remittance-receiving households in El Salvador show a significantly higher proportion of spending for housing and, especially, education. (Fajnzylber and López, 2007) This suggests that remittance income is allowing receiving households to satisfy their subsistence needs and focus a larger part of household income on other expenditures that can improve the life circumstances and future prospects of family members.

**Figure 1: Remittance uses according to EHPM**



Source: Encuesta de Hogares para Propósitos Multiples, 2006

### 3.4 The local context of the San Jerónimo area

#### 3.4.1 Introduction to the local context

Most discussions of the impact of migration on El Salvador, including this one, hang heavily on the macroeconomic indicators that boldly profess the role of these financial flows in Salvadoran economy and society. This is understandable, given the massiveness of remittances, their role as a marker of migrant connection to the home country, and, not least, the fact that a big push for migration is the prospect of economic gain in a new land. This should not overshadow the fact that migration is a phenomenon that is about more than money and has far more than economic impacts. It is members of families who migrate, mothers and fathers who separate themselves from their children, communities who see their valuable native sons and daughters depart, and nations who lose, at least temporarily, some of the human capital that is crucial to their growth. The impacts of migration are also more than monetary, but also affect the way that people live and the mechanisms that they use to provide themselves with basic necessities like housing. This

becomes clearer as we look at the local impacts of migration and the role of remittances that flow into communities every day.

San Jerónimo and its environs are one of the hundreds of areas across El Salvador that have profoundly felt the impact of migration and remittances. Migration touches nearly every aspect of life in this area. The most evident signs are physical: houses look different than in other areas with lower rates of migration; the central park in San Jerónimo proper was funded by native sons and daughters abroad; the entrance sign to the town announces exhorts residents to protect the nearby river, an initiative funded by the hometown association of migrants living in Los Angeles. On a household level, it is rare to find a family that does not have some connection to a migrant abroad; it is equally rare to hear natives describe their community without referring to the people that have left and the remittances that they send back. Although tucked away in the corner of rural El Salvador, San Jerónimo is, like many towns across the world, integrated into global networks traced by international labor migration.

### **3.4.2 Basic characteristics of households in the San Jerónimo area**

The San Jerónimo area is located in the western zone of El Salvador, in the department of Santa Ana, and edges up against the border with Guatemala. It is a *cantón* of the municipality of Metapán, an administrative unit that contains small *caseríos*, or villages. The study area, as already described in the chapter on methodology, is made up of San Jerónimo town and the two small settlements of Guayabillas and El Puntito. Projections based on the figures from the research survey indicate that the population of the study area is approximately 1,632 inhabitants. This section will present data on the entire sample of households surveyed in the area, since few statistically significant differences existed between remittance and non-remittance households.

One hundred households were surveyed in the San Jerónimo area, containing a total of 405 household members. The average household size was slightly over four members. Women outnumbered men in the general population: the mean number of males was 1.82, while there was an average of 2.24 females per household – 55% female to 45% male. This is higher than the national average, which is 51.4 female and 48.6 male. This lower proportion of males is not unexpected, given the demographics of migrants that I will soon discuss.

Sixty-four percent of households had children.<sup>42</sup> These households had an average of 2.3 children, and ranged from 1 to 6 children. These households also tend to be somewhat larger, an average of slightly less than five members per households as compared to about four for childless households. Eighty-five percent of children of school age were still studying, a notable figure given the limited education of heads of household.

Heads of household's educational background was generally limited to the first years of primary school. Heads of households had completed a combined average of slightly more than two years of education. Thirty-four percent had completed up to third grade, and 22% had gone beyond third grade. Forty-four percent of heads of households had never gone to school. After revealing that they had never gone to school, many respondents both male and female added that “they sent me to work”, a longtime reality in an agricultural community. The inaccessibility of schools

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<sup>42</sup> Defined as less than 18 years of age.

**Image 3: Entrance to San Jerónimo**



“Welcome to San Jerónimo, let’s conserve our River Angue, regional natural patrimony for a healthy environment” reads this sign, sponsored by the local governing council and the hometown association, COOPERA. This association of area natives living in California strongly supported a local effort to prevent industrial sand extraction that was said to be negatively impacting the river’s ecosystem –one example of the collective impact of migrants.

historically was also frequently mentioned as a reason for low levels of schooling. Although literacy rates were not measured by the questionnaire, many respondents without formal education also volunteered information about literacy. Almost all of those who did so confirmed that they had not learned to read and write.

Ages of household members seemed roughly consistent with national averages. Accordingly, the largest percentage of the population was found in the youngest age group of 0-14 years. The exception to this was a higher proportion of members above sixty five – 11% as compared to 5% nationally. (CIAWF, 2007) The average of age of heads of household was 51.69 years old.

### **3.4.3 Occupation of household members**

Results show that 52% of heads of households took care of household work, all of these women. Additionally, 14% of these female household heads both took care of household work and ran some kind of business from their home. These businesses included running a small store out of the home, selling food in front of their home, making tortillas, or selling homemade cheese and cream. Those with an occupation outside of the home worked predominantly in the agriculture and, to a limited extent, cattle sectors. All of those who worked in these sectors were male.

Forty-seven percent of household heads working outside of the home worked as *fornaleros*.<sup>43</sup> These are day laborers who work on land owned by others. A third of these day-laborers worked in the cattle sector, and two-thirds worked in agriculture. The standard wage was \$5 or \$6 per day, and most said they worked six days a week. Others took work on sporadically and as necessary, weighing demands for income against other demands, such as the time needed to farm their own land. Many commented that work was not always available, especially in the agricultural down season. Another twenty percent of those working outside the home were employed in a wide variety of non-agricultural work, mainly in the nearby city of Metapán. In summary, 67% of those who worked outside the home received compensation for working for someone else. A small number of these respondents said that they were unemployed (1%) or retired (6%).

**Figure 2: Occupational distribution of household heads working outside the home**

<i>Of those who with occupations outside the home:</i>
47% did compensated agricultural or cattle work
20% did some kind of compensated non-agricultural work
<i>59% of working household members surveyed worked their own land:</i>
33% did compensated work and worked their own land as well
24% worked their own land only and did not work for compensation elsewhere

Of those working outside the home, 24% did not work for any others, but dedicated themselves to farming their own land or taking care of their own cattle. Thirty-three percent of the sample both worked for others and worked their own land. This means that 59% of those who worked outside of the home also worked their own land.<sup>44</sup>

A large number of households continue to farm their own land. They seem to do so mostly in order to satisfy the consumption needs of the household, but also occasionally draw income from surplus crops.<sup>45</sup> Households grow the staple crops of corn, beans, and *maicillo*, a type of corn used as animal feed.<sup>46</sup> Sixty percent of households farmed land to produce a harvest for their families and, in some cases, to sell for a profit.<sup>47</sup> Thirty-six percent of all households – more than half of the sixty households who farmed land – said they sold some portion of their harvest.

<sup>43</sup> Also known as *jornaleros*.

<sup>44</sup> This does not necessarily mean that the household *owned* their own land. In most cases households farmed *tierra arrendada*, or land that had been “rented” to them for their use during the harvest season or longer. Rent payment would typically come in the form of a stipulated portion of crops paid out at harvest time. Local landowners contended that this arrangement is mutually beneficial, since the farmer gets land to farm, and the landowner – and usually cattle rancher – gets the waste product of the harvest as feed for the cattle, as well as a payment in crops.

<sup>45</sup> More than a third of households also sold animal products to raise income.

<sup>46</sup> Discussions with families revealed that the decision whether to sell or not depended on the consumption needs of the family, the price of the respective commodities, and the family’s assessment of the productivity of the following harvest. Corn and beans could be stored for long periods, and some households seemed to treat their stored grains as their insurance policy against future deprivation and an asset that could be converted to cash if the need arose.

<sup>47</sup> This slight discrepancy with the number of those who worked their own land is due a household that received crops from its land but did not farm it themselves.

Households have an average annual income of \$2,919. When remittances are added into the aggregate income numbers, this number comes to \$4,342 when spread across all households. The average rural income for El Salvador is \$3,348. Fifteen percent of households fall into the category of “extremely poor” when regular and remittance income is used, and 23% are relatively poor. This is roughly in line with national figures of extreme and relative poverty cited earlier in this chapter. More detail on the differences between the incomes of households can be found in section 3.4.3.

#### **3.4.4 Differences between households that receive and do not receive remittances**

For the most part, the statistics on households with remittances and those without look very similar. The most apparent differences are in income, and will be discussed later in this chapter. The occupations of household members are very similar, with most men working outside of the home, working their own land, or a combination thereof, and most women dedicating themselves to work at home. Educational levels are somewhat different, with household heads who do not receive remittances showing a higher average educational level than those without, though not statistically significant.<sup>48</sup>

While not surprising, one of the most striking differences between the groups is the number of children whose parents are living abroad. Households with remittances were significantly more likely to have at least one child who had a parent living abroad.<sup>49</sup> Of households that have children and receive remittances, 48 percent have children with one or both parents living in another country. Only 4 percent (one case) of households without remittances has children with parents abroad. In other words, 98% of the children with parents abroad live in remittance-receiving households, a finding that makes sense given remittances’ typical role in supporting families back home.<sup>50</sup> With 42 percent of children in such families having at least one parent who is several thousand miles away, migration is clearly having an impact on the shape of families in the San Jerónimo area.<sup>51</sup>

As might be expected as well, the ratio of males to females also changes significantly in remittance-receiving households, resulting in 41 percent men in remittance-receiving households as compared to 51 percent in non-receiving households.<sup>52</sup> <sup>53</sup>

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<sup>48</sup> The latter is in line with Yang’s finding that heads of remittance-receiving households exhibited a higher level of illiteracy than those not receiving. YANG, D. 2003, *Salvadorans overseas: the foundation of a pro-poor growth strategy*, University of Michigan, Ann Arbor. This may be occurring because households sending migrants are poorer than average, and the heads of these households have had less educational opportunities.

<sup>49</sup> Statistically significant ( $p=.000$ ).

<sup>50</sup> If we look at the total number of children in remittance-receiving households, we see that 16 percent of these children have one parent abroad, and 26 percent of children have both parents abroad.

<sup>51</sup> Further glimpses of this impact can be found in female headed households with children (representing 23% of all households with children). Ninety-three percent of these households receive remittances. This result is not, however, statistically significant.

<sup>52</sup> The difference in the ratio of males to females is statistically significant ( $p=.043$ ).

<sup>53</sup> The mean age of heads of remittance-receiving households, 52.8 years, is three years higher than non-receiving households, though not statistically significant.

### 3.4.5 Differences in income between receiving and non-receiving households

When we do not factor in remittances, receiving households are on the whole poorer than those without remittances.<sup>54</sup> This is in line with national trends cited earlier. This at first paradoxical fact can be explained in a few possible ways. First, remittance-receiving households are largely households that by definition have lost a productive working member. In other words, the household has lost the potential wages of this member or members, a loss that is potentially reflected in a lower household income. Secondly, some portion of households that do not receive remittances may be in a better position economically, and thus may have decided not to emigrate.<sup>55</sup>

**Figure 3: Income with and without remittances**

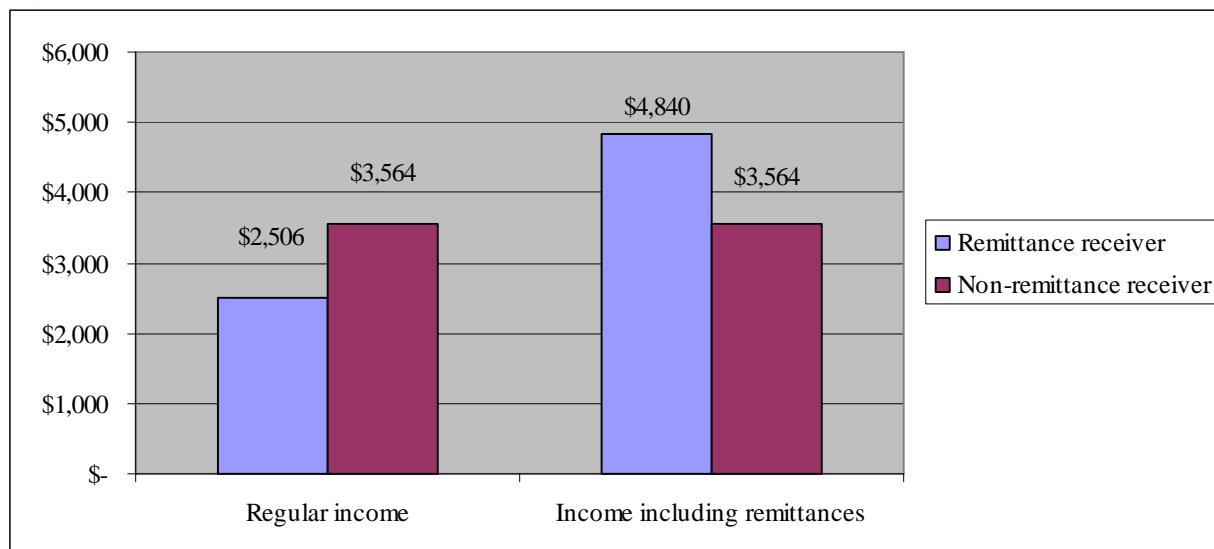


Figure 3 shows the comparison of average annual incomes with and without remittances. Remittances constitute on average 48% of household income for households receiving income from abroad. On the whole, it is apparent that remittances, as a large share of family income, are changing the economic standing of families in a drastic way on the whole. When remittances are figured into income, remittance receiving households show significantly higher incomes than those without.<sup>56</sup>

Figures 4 and 5 show us how the distribution of incomes across the population change when remittances are included in household income.<sup>57</sup> Without figuring remittance incomes,

<sup>54</sup> This difference is not statistically significant, but sharing income figures is important, nevertheless, to knowing what resources families have at their disposal.

<sup>55</sup> One interpretation is that the wealthiest households in the town may have no reason to migrate, and thus do not receive remittances but contribute to raising the average household income for the category of non-receiving households.

<sup>56</sup> Significant at .1 level (.091)

<sup>57</sup> Extremely poor = a family with an income of less than \$96 per month (\$1,152 per year), equivalent to the cost in a rural area of the *canasta básica*, or basic food basket. The five other categories are equally divided by the same measure, thus: Extremely poor = 0-\$1,152, Relatively poor = \$1,153-2,304, Mid= \$2,305-3,456, Mid-High= \$3,457-4,608, and High= \$4,609 and above. Rural food basket prices based on figures from January 2007.

difference in the distribution of households across income categories is not significant. When remittances are included, there is a significant difference in the distribution of households across income categories.<sup>58</sup> These charts clearly point to the role of remittances in improving incomes for families that receive them. This is most poignant in the lower and highest income categories. The number of remittance receiving households in the extremely poor category drops from 27% to 3% once remittances are factored into income. By contrast, the number of remittance-receiving households in the high category doubles. Remittances, not surprisingly, are augmenting household income in a noticeable manner.

### **3.5 Profile of migration and remittances in the San Jerónimo area**

#### **3.5.1 Local migration history**

Interviews with town leaders and older residents in San Jerónimo town provided some background on the evolution of migration from the San Jerónimo area. According to these sources, certain “adventurers” had tried their luck in the United States during the late sixties and early seventies, making their way north without the assistance of paid guides. The leader of the town council commented that the first noticeably large departures of migrants occurred, however, during the Civil War at the beginning of the 1980’s. Although the town was not in the vicinity of a conflict zone, he explained, the economic impact of the war could nevertheless be felt. As the war dragged on, economic conditions grew more insecure for many families. Difficult conditions were compounded by army forced conscription campaigns in the region. According to a community activist, men would often refrain from traveling to the local city for fear of being conscripted into the army, leaving women to make the trip to the city to make purchases or take care of official tasks. These economic and political factors, according to sources, drove the first waves of widespread migration during the 1980’s.

Data from the households surveyed largely confirm the local lore. The earliest migrant in the sample left the town forty years ago, and the most recent migrant had departed only a few weeks before the survey was administered. The first waves of migration occurred in the early 1980’s, and continued to rise throughout the war. In line with national patterns, migration did not let up in the years following the peace accords, continuing to rise steadily after 1992.

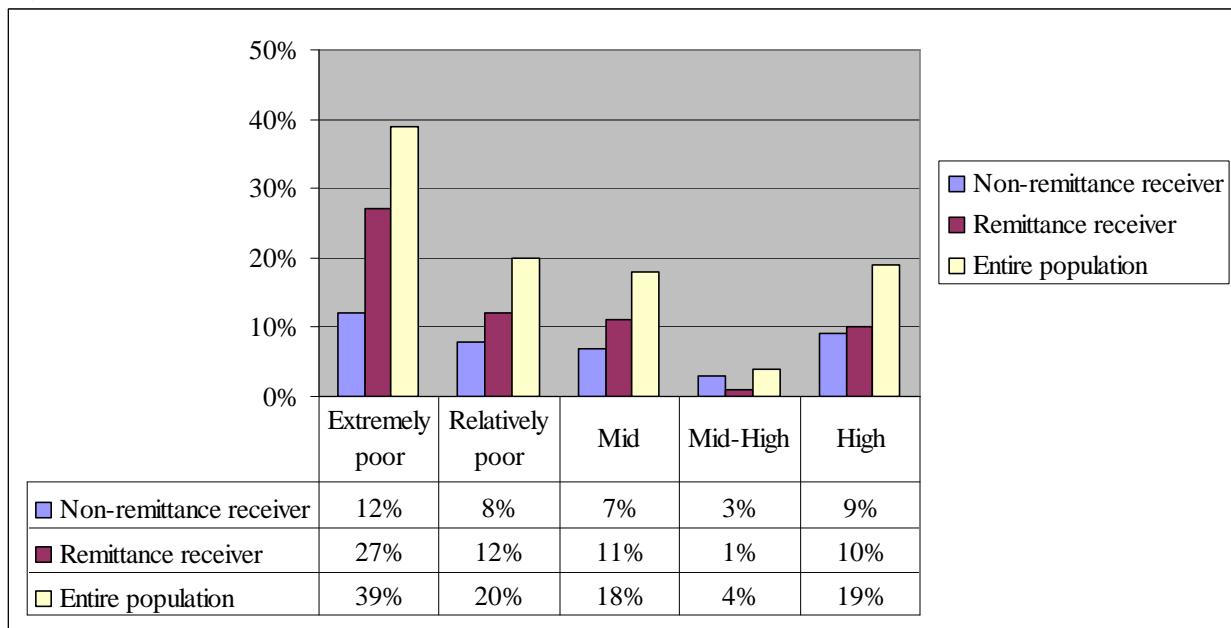
Like in many locales, the growth of migration gained its own momentum over time. One town leader believes that the visible results of the original migrants’ successes abroad fueled migration trends. The houses built with migrant dollars and the improved standard of living enjoyed by remittance-receiving families attracted the attention of further would-be migrants. An improved infrastructure of migration may have also paved the way, according to sources. And a growing number of hometown sons and daughters acting as a potential support network in far-away places further facilitated the process and influenced the decision to migrate.<sup>59</sup>

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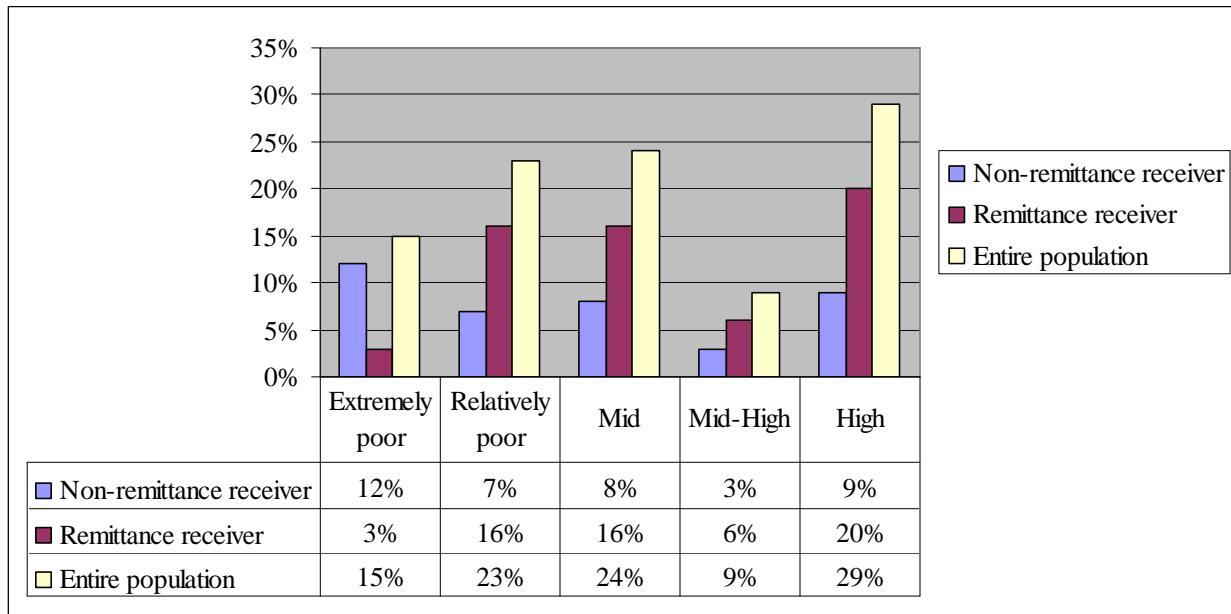
<sup>58</sup> Significant at .05 level ( $p=.012$ )

<sup>59</sup> The same leader commented that San Jerónimo proper had been “lucky not to lose anyone” who had made the arduous clandestine migration journey. His insinuation was that more stories about the perils of the journey might have meant less migration.

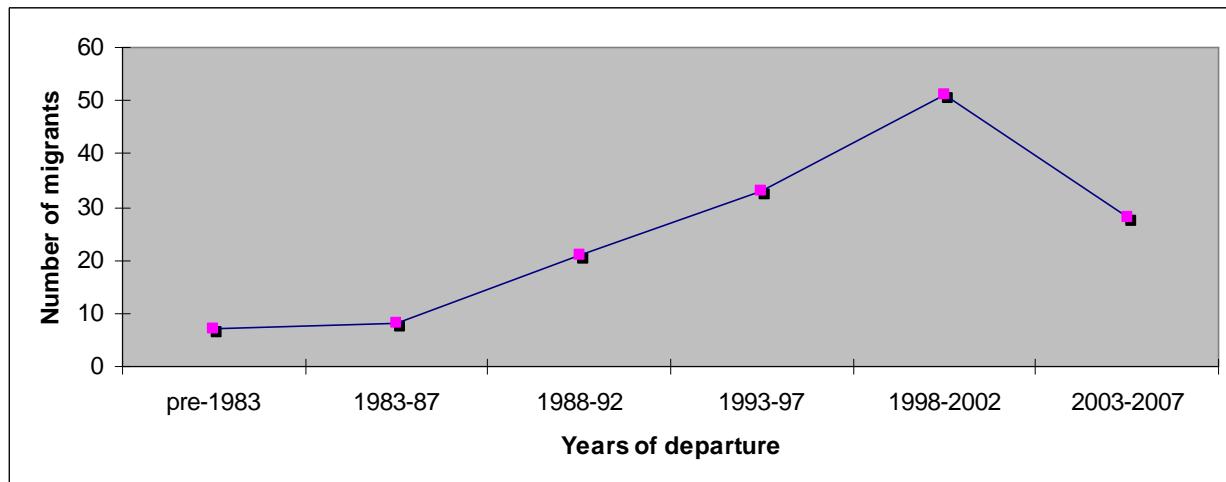
**Figure 4: Income distribution without remittances**



**Figure 5: Income distribution with remittances**



**Figure 6: Departure years of migrants**



As shown in Figure 6, the majority of migrant departure dates were concentrated in the last ten years, with 53 percent of migrants having left between 1998 and 2007. Not surprisingly, the number of migrants seems to decline as we go back in time, indicating the growing strength of the migratory flow over time. The exception to this is the five year period from 1998 to 2002, where there is a noticeable spike in the number of migrants leaving the San Jerónimo area. In 1999 the highest number of migrants departed. The largest cluster of migrants left during the six years between 1997 and 2002 – fully 43 percent of all migrants.

These findings are largely in line with current understandings of Salvadoran migration patterns over time, as described earlier in this chapter. They tell us that conditions surrounding the war compelled residents to migrate in large numbers in the early 1980's, and that the migratory flow picked up speed in the late 1980's and early 1990's. Flows reached their peak at the end of the nineties, and have dropped somewhat over the past five years but remained above rates of migration from ten years earlier. These numbers may not reflect all members of households who migrated during this time, so they cannot be used to generalize the area's migration history with absolute certainty.<sup>60</sup> They do, however, give us a strong sense of the evolution of migratory flows over the years, and they confirm that migration has continued to grow in the San Jerónimo area to this day.

### 3.5.2 Migrant demographics

Fifty-nine percent of households affirmed that a member of the household was living abroad.<sup>61</sup> In some cases several members of the household were living abroad. An additional three percent did not have household members living abroad, but did receive remittances from family or others

<sup>60</sup> These numbers may not be completely reliable source of information to construct a history of migration in the San Jerónimo area. Households may not have reported members who have been away for a long time, do not send remittances, or who have lost touch with or become estranged from the household.

<sup>61</sup> "Member of the household" was defined as someone who was living in the household prior to migration.

residing in other countries. Diverse demographic data on all of these migrants was gathered through the household survey.<sup>62</sup>

The majority of migrants – 51 percent – live in the state of New York. Data was not collected about exact place of residence, but place names mentioned to interviewers indicate that a large number of migrants live in the New York City suburbs of Long Island, where other authors have described the existence of a large Salvadoran immigrant community. (Mahler, 1995) The next largest representation – 18 percent of migrants – is found in Los Angeles, the area that is home to the largest number of Salvadoran migrants in the United States. (MPI, 2007, citing Census 2000 statistics). The nation's capital, Washington, D.C., and the state of Texas were both the place of residence for 7 percent of the migrant sample.<sup>63</sup> On the whole the data confirms that migrants are making their way to the most frequent destinations for Salvadoran migrants, likely following well-tread paths of social networks that have brought others to these common destinations.

The gender of migrants was not recorded specifically, but can be extrapolated from 84% of the migrant database.<sup>64</sup> These numbers indicate that 67% of migrants were male and 33% female. Data was not specifically collected on the legal status of migrants living abroad, but some information on this point was gleaned from interviews with town leaders and extended questionnaires with migrant families. It is clear that a number of migrants make the illegal passage to the United States.<sup>65</sup> Town leaders estimated that more than half of migrants make the trip illegally, and a number live without a documented status in the United States, in some cases for several years. Anecdotal evidence seems at least to support a level of 37 percent illegal migration estimated by other authors. (Orozco, 2006)

### **3.5.3 Relationship of migrants to the household**

The kinship of the migrant was defined in relation to the respondent (See Figure 8). Migrants play different roles to different members of the households, but to most respondents – typically one of the household heads – migrants were their sons or daughters. Twice as many sons (48%) as daughters (24%) were migrants. Surprisingly, migrants were the husbands of the respondents in only 5% of cases. Beyond this, migrants were spread fairly evenly among brothers and sisters, uncles and aunts, grandchildren and others.

A large number of migrants are likely parents of children in the household, as indicated in figures already cited regarding the number of children with parents abroad.<sup>66</sup> The combined

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<sup>62</sup> Though likely to be small, it is possible that there is some repetition in this sample, since some migrants remit to more than one household and may thus be counted twice.

<sup>63</sup> The rest of the migrants were scattered across the country, mostly on the East Coast of the United States with a small agglomeration appearing in Colorado. Three percent of the population lived in Canada.

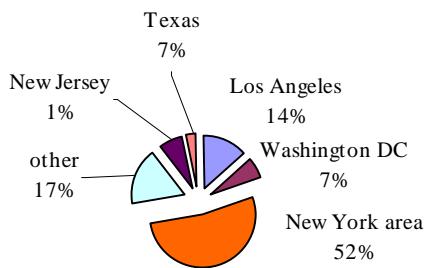
<sup>64</sup> The categories for kinship are gender-specific in only 84% of cases, the rest being gender-neutral (e.g. uncle/aunt).

<sup>65</sup> Seventeen percent of all households had taken out an informal loan to fund a migrant's passage.

<sup>66</sup> It should be noted that this method of defining kinship could somewhat obscure how the migrant relates to the household and what motivates the migrant to remit funds to support the household. For example, a migrant's greatest motivator for remitting may be a daughter who is being taken care of by the migrant's parents. This is not precisely reflected in these statistics, since her mother (i.e. the grandmother of the child) would likely be the head of household and the receiver of remittances assistance.

findings that 48% of remittance-receiving households have children with parents abroad and 74% of migrants are sons or daughters may suggest that a number of households are grandparents who are raising their grandchildren while one or both parents are living abroad.

**Figure 7: Geographical distribution of migrants**



Family status may tell us something about the degree to which migrants are settled in the U.S., but the structure of the data makes it difficult to draw strong conclusions. Seventeen percent of migrants were defined as single. Their family members responded that forty-three percent of migrants were married with children in the United States, and four percent were married with children in El Salvador.<sup>67</sup> An additional 9% were married, but the data does not specify whether the spouse is in El Salvador or abroad. Another 11% of the migrant sample was separated or divorced, some with children. Fourteen percent were defined as “acompañado” – in a relationship – some with children. Although the data is not exact, it generally suggests that the majority of migrants seem to have strong family ties in their place of residence abroad – especially the 43% with a partner and children abroad.

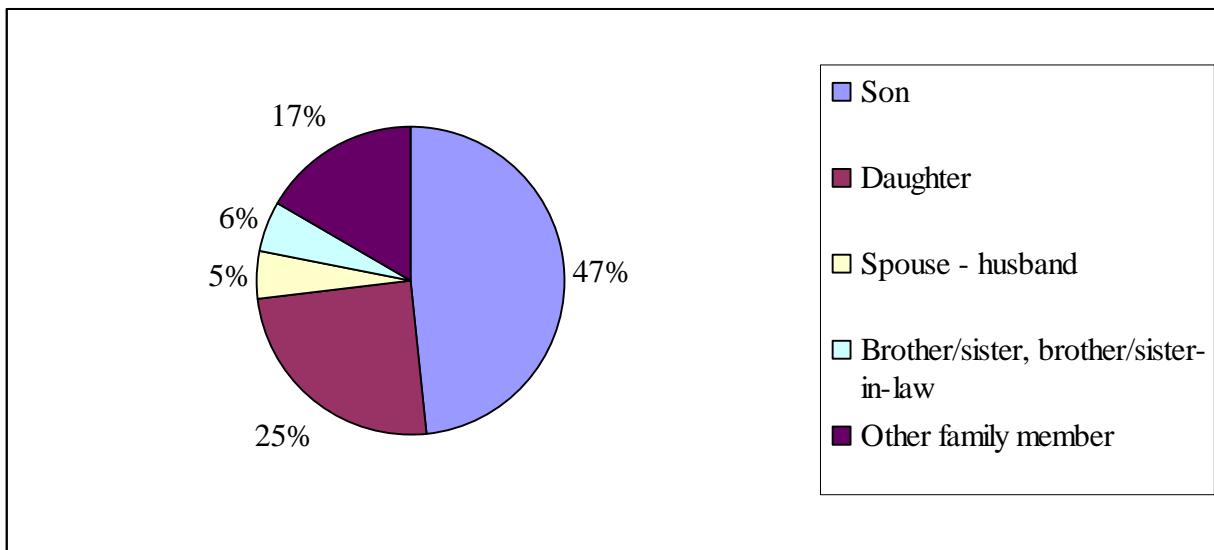
Respondents were asked specifically whether they thought that the migrant would return to live in El Salvador. This proved a difficult and emotional question for many respondents. Twenty percent responded that they believed that the migrant would not return to live in El Salvador. Thirty-nine percent were not sure or did not know. Forty-one percent responded that they believed that migrants would eventually return to live in their homeland. Many responded by saying that the migrant “had papers,” variously meaning work permission, permanent resident status, or U.S. citizenship. These respondents seemed to take this to mean that the migrant had a permanent status abroad, was settled there, and thus would not return to El Salvador to live.<sup>68</sup> As already noted, the majority of migrants have been abroad for less than 10 years, and 76% for less than 15 years. This indicates that the San Jerónimo migratory flow is less mature than the

<sup>67</sup> The actual conjugal status of migrants in categories may not be reliable, since interpretations of the designation “married” seemed to vary. I.E. On occasion, respondents seemed to define the migrant as married as a way of saying that the migrant was in a long-term relationship, not necessarily legally wed.

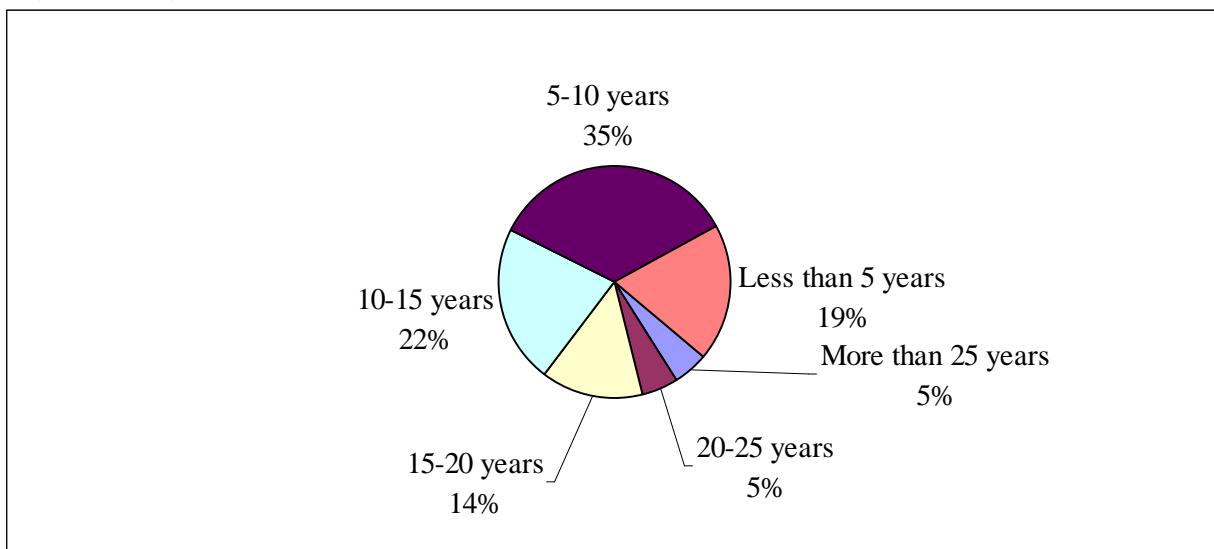
<sup>68</sup> More detailed conversations with a few respondents suggest that the amount of respondents who think that migrants will not return may be higher, but that confirming this directly did not seem socially acceptable to respondents. If this were the case, it would bring the results more in line with Yang’s finding – based on a large rural household survey – that a scant 3 percent of migrants would return permanently to El Salvador. YANG, D. 2003, *Salvadorans overseas: the foundation of a pro-poor growth strategy*, University of Michigan, Ann Arbor.

national average, making it perhaps difficult to know at this point what the future holds in terms of migrants' decisions to settle abroad or return to El Salvador.

**Figure 8: Migrant kinship relative to the respondent**

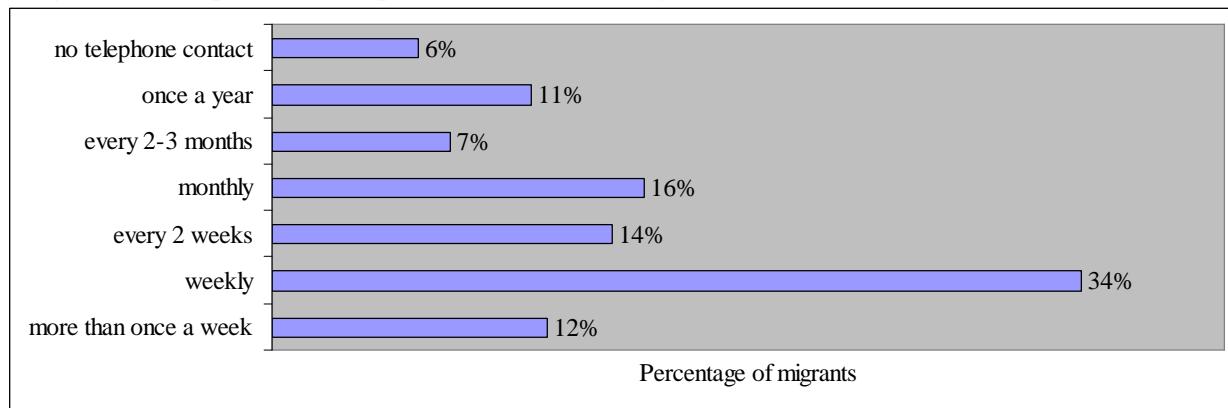


**Figure 9: Migrant time abroad**



Most migrants and family in the study area kept up communication, as indicated by data on the frequency of telephone contact (see Figure 10). Ninety six percent migrants spoke kept in touch with family by telephone at least once a year. Seventy-six percent migrants spoke to someone in the household at least once a month, with 46% of migrants speaking to family at least once a week. This suggests that ties between migrants and their families remains strong, and frequent conversations are likely to give migrants a consistent and up-to-date source of information as to the welfare of their families.

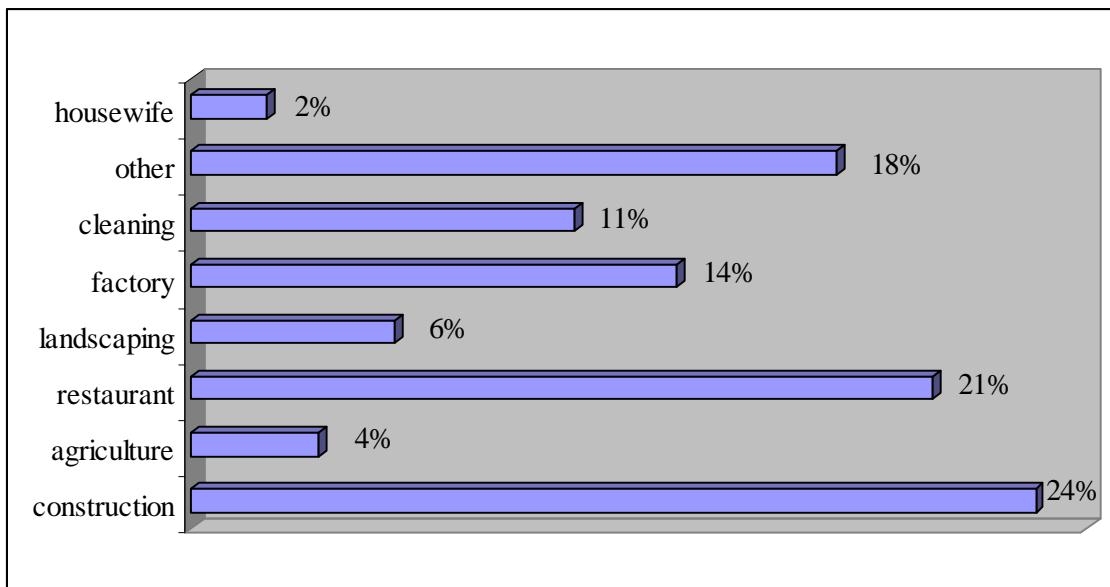
**Figure 10: Frequency of telephone contact with migrants**



### 3.5.4 Occupations of migrants

Migrants were employed in a fairly wide range of occupations. (see Figure 11) The most common of these was construction. Restaurant work, factory work, and home and office cleaning were also common occupations, followed by smaller percentages in landscaping and agricultural work.

**Figure 11: Occupations of migrants**



Although wage data was not taken across the board, extra data collected from interviews indicates that construction is one of the most lucrative professions for migrants. Wages for construction work ranged between \$7 per hour for a laborer working informally up to \$18 per hour for a mason working in on skyscrapers in Manhattan. From anecdotal information, wages seemed to be higher when migrants had legal status in the United States.

Ninety-eight percent of those for whom data was given worked outside of the home, a telling figure given the number of females who work only at home in the hometown sample. This

indicates that women are working at compensated employment at a much higher rate than the population in El Salvador.

### **3.6 The role of remittances in the San Jerónimo area**

#### **3.6.1 Views of the role of remittances in local life**

The topic of remittances never fails to provoke a response from residents of the San Jerónimo area. Variously viewed as life-saver, bonus, essential income, or disincentive for work, few view remittances as inconsequential. Within remittance-receiving households remittances generally seem to be viewed as an important tool for improving the circumstances of the household. As mentioned earlier, many households attested to the difficulty of getting ahead on the limited incomes that most earned in El Salvador. Above all, conversations revealed that remittances were viewed as a mechanism for *getting ahead* instead of merely *getting by*.

How indispensable remittances were depends on the family. The role of remittances may stand more in relief for poorer families. It was not uncommon to hear stories of how remittances had changed the life of the household. These included quality of life improvements accessible to the family – “before we had only beans and now we can eat chicken.” For some it meant a greater capacity to satisfy medical needs and to support children’s’ education. Some older respondents, referring to the support of family to cover medical expenses, said unequivocally that they would not be alive had it not been for remittances. The role that remittances serve vis-à-vis housing will be addressed in Chapter Five.

#### **3.6.2 Remittance receipt patterns**

Sixty-one percent of households receive remittances from household members or others residing abroad.<sup>69</sup> Some households receive from a single remitter, others received remittances from as many as seven different migrants. According to the reports of respondents, forty percent of migrants remitted to more than one household. This percentage of remittance-receiving households is quite high compared to national and regional averages. Nationally, 22 percent of households are said to receive remittances. In Metapán, the municipality in which San Jerónimo is located, 42 percent of homes received remittances, according to data reported by the UNDP. (2005a)

Remittances averaged \$2,334 per household over the course of the year, and \$194.50 per month on a monthly basis. Households listed 150 migrants being part of the household, and 86% of these sent remittances in some quantity. The average quantity sent per migrant was \$1,104 annually. These are averages, of course – amounts sent varied greatly from family to family and migrant to migrant, with some sending \$100 twice a year to others sending \$300 monthly. Respondents indicated that remittance amounts also fluctuated over time. Respondents often explained low remittance amounts sent by their children by adding that the son or daughter “has obligations”, seeming to mean that these obligations made it necessary to focus financial resources on the migrant’s life abroad. This is in line with Menjivar et al.’s finding that

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<sup>69</sup> Households receiving annual remittances of less than \$100 were placed in the “no remittances” category, based on the rationale laid out in the section on data analysis. Such households represented only 4% of cases.

remittance amounts tend to diminish as other obligations in the migrant's adopted country take hold. (1998)

**Image 4: Remittance agency**



‘Banco Cuscatlán – located about 45 minutes from the San Jerónimo area by bus – receives a large share of the remittances in the Metapán area. The bank opened an office around the corner from its main branch dedicated only to paying out remittances.

**Table 2: Remittance figures**

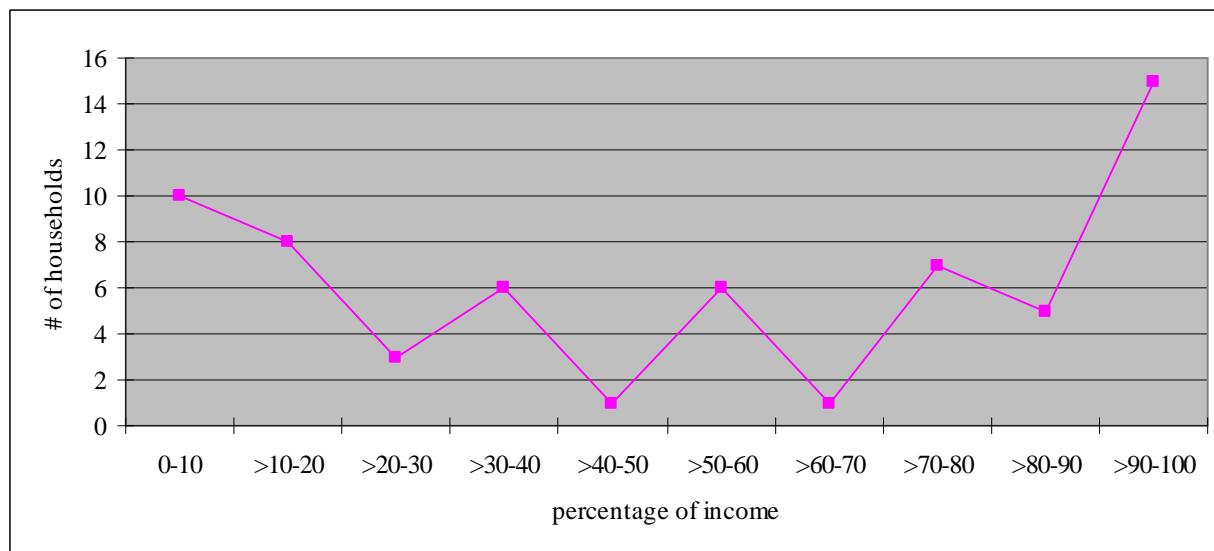
<b>Average per household annually</b>	\$2,334
<b>Average per household monthly</b>	\$195
<b>Total # of migrants</b>	150
<b>Total # of migrants sending remittances</b>	129
<b>Percentage of migrants sending remittances</b>	86%
<b>Annual average sent per migrant</b>	\$1,104

At an average of \$2,334 per receiving household, remittances constituted 48% of the receiving household's income, a proportion that is in line with the national average of 51% as cited by Yang. (2003)

The distribution of the share that remittances make up of family income tells a different story than the average, with shares of household income concentrated at the two ends of the scale. At the low end, remittances represent less than 20% of income for 29% of receiving households. On the high end, remittances represent more than 80% of income for 32% of households. In eight

cases, remittances constitute the entire household income. Remittances make up between 20 and 80 percent of income for the remaining 39% of households. (see Figure 12)

**Figure 12: Remittances' share of household income**



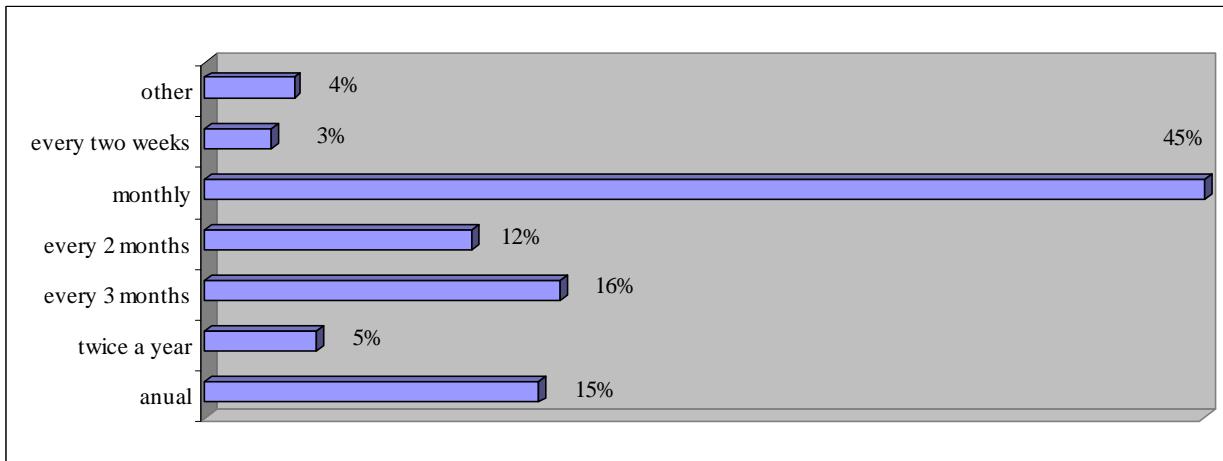
Remittances were sent most commonly on a monthly basis, and then with a range of different frequencies for the remainder of cases. (see Figure 13) The family member who received the remittances was most commonly one of the parents, a finding that is in line with the kinship status of most migrants as sons or daughters of household heads. Mothers of migrants were by far the primary receivers of remittances, acting as the recipient in 45% of cases. The next most frequent receiver was the father, who received only 10% of remittances. This is likely influenced by the larger proportion of females in the sample and a sizable number of female-headed households. Even in households with both father and mother present, however, mothers were more likely to receive remittances. Some respondents said that the mother took care of business matters like this, since she was more likely to go to the nearby city of Metapán, the closest point for receiving remittances. In other cases, respondents explained that the mother was literate and the father was not, and thus the mother bore the responsibility for tasks that required interface with official entities.

Data was not collected on where households picked up their remittances, but this topic often came up in the course of conducting the survey. Almost without exception, it seems that households picked up their remittances in Metapán, where there are at least six entities that receive remittances. Conversations with some of these financial institutions confirmed that the majority of their clientele come from rural areas in the municipality.

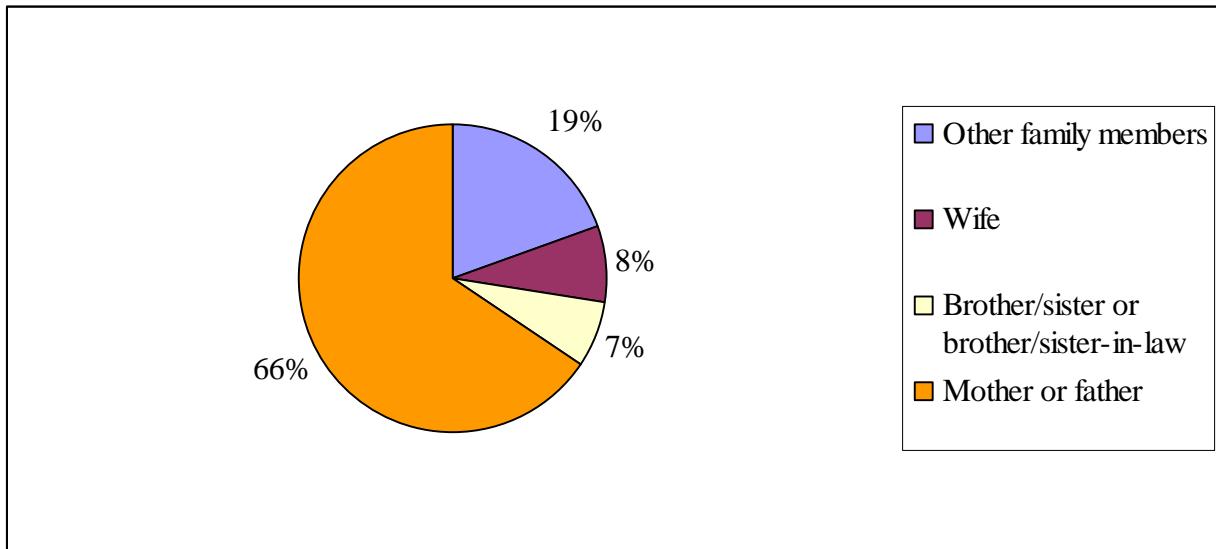
The line at the Banco Cuscatlán is said to form long before opening time nearly every morning. A bank official asserted that it is the primary receiver of remittances flowing into the Metapán area, estimating that \$11 million in remittances (\$366,000 daily) were received in June 2007. The bank pays out remittances not at the bank building itself, but in a separate building down the street that serves exclusively for remittance-receipt services. More than 50% of remittances are sent from Western Union branches in the United States. A bank official estimated that more than

half of remittance-receiving households come from rural areas. Interviews with two smaller financial institutions revealed similar patterns. Caja de Crédito said that 75% of its receivers were from rural areas. Acocomet, a credit union (*cooperativa*) that receives an average of one million dollars in remittances monthly, said that 90% of remittance receivers were from rural areas like San Jerónimo.

**Figure 13: Frequency of remittance receipt**



**Figure 14: Receiver of remittances**



### 3.6.3 Sporadic remittances

Remittances are also occasionally sent for some kind of one-time purpose or emergency. These were primarily for health reasons in terms of number of cases, but in dollar amounts were outweighed by housing purposes. This type of remittances are one of the clearest signs of how remittances help households deal with family shocks such as deaths, unexpected medical expenses, or loss of work, as described in the literature. (Yang, 2003)

Respondents were asked if they had received any remittances over the past year for any purposes, and specific data was sought for periodic remittances for health, education, and housing costs. There were 52 cases where migrants remitted amounts ranging from \$50 to several thousand dollars. Some households received such sporadic disbursements for more than one purpose. Most common of these sporadic remittances were for medical expenses, with 47% of remittance receiving households responding that they had received some assistance of this kind during the past year. This is not unexpected given the sudden nature of medical emergencies and the possibility that families would not have large amounts of cash on hand to pay sudden extra bills. This could also be explained by the fact that a large number of remitters are sending money to parents of an advanced age. Remittances for health ranged from \$50 to \$2000, and the average amount remitted was \$424 – nearly quarter the annual earnings of a day laborer. Less than 15% of households received sporadic remittances in the three other categories – education, housing, debt, and other – but it is notable that up to \$12,000 had been sent for housing purposes in a single year.

### **3.7 Summary**

Migration and remittances play a remarkably important role in Salvadoran economy, society, and daily life. The San Jerónimo area seems to be a textbook example of this. This small agricultural community is home to a strong culture of self-sufficiency, but incomes remain relatively low. Largely due to low non-remittance income, remittances have come to play a big role in the budgets of the majority of households that receive them, on average nearly half of family income. They provide a source of income that insures that families will be better positioned to address their basic needs, and perhaps expand household members' options in other areas of life. Sporadic remittance disbursements also provide a vital source of support in times of particular need. The number of children with parents abroad, the consistency and amount of remittances, the frequency of communication, and the kinship relationships that bind migrants to their hometown all suggest that connections are strong between migrants and remittance-receiving households. These phenomena indicate that remittances are serving in various ways as a powerful mechanism for improving the quality of life of many households in the San Jerónimo area.

## **Chapter Four – Housing production and improvement process and the role of remittances**

### **4.1 Introduction**

This chapter paints a picture of the housing situation in El Salvador currently. It provides background on current issues facing housing users and ongoing challenges to the housing sector. It then offers an overview of how housing has been historically produced in the study locale, with an emphasis on the major inputs to housing production and improvement. This section on history then leads into a discussion of how housing gets built in the present. The relationship of households to financial institutions is then described and connected to the present day accumulation of capital. Finally, data from the fieldwork of this study is presented regarding current strategies for managing land, labor, and materials. Particular attention is paid to how remittance households are demonstrating marked differences in comparison to those without remittances.

### **4.2 Background on housing conditions in El Salvador**

#### **4.2.1 The Salvadoran housing deficit**

There is virtual unanimity that El Salvador currently faces a housing deficit. (SUM, 2004, Rivas, 2004) This deficit constitutes a quantitative deficiency – an insufficient number of dwellings to satisfy the needs of a growing population – and, more frequently, a qualitative deficiency – a large number of dwellings that lack basic services or are constructed with impermanent materials. Sixty-seven percent of the qualitative deficit, according to national numbers from 2005, is concentrated in rural areas, even though these represent a smaller proportion of the population than urban areas. (DIGESTYC, 2005)

A number of factors have posed obstacles to the existence of sufficient quantity and quality of housing to satisfy the needs of the Salvadoran population. Counted among these are the difficulty of access to land, a lack of access to financial resources, and, perhaps most poignantly, low incomes and lack of capital on the part of a large segment of the population. (Landaeta, 1994, SUM, 2004) A history of civil war and a string of natural disasters have exacerbated the housing deficit and added obstacles to its reduction. The government, though proactive and relatively successful compared to its Central American neighbors in improving the housing situation, has not been able to create social housing programs that achieve widespread progress in addressing the housing needs of all Salvadorans. (FUSAi, 2004)

Steps forward have been taken in certain areas. Compared to other countries in the region, El Salvador has shown some progress in providing financing to a broader reach of society. This has come in the form of a growing network of micro-finance organizations (Stein and Castillo, 2003) that have enabled new access for low-income populations as well as an expansion of financing options for middle income Salvadorans, (Fortin-Magaña, 2003) the latter benefiting from reduced interest rates after the dollarization in 2001. (FUSAi, 2004) Options for purchasing housing for migrants living abroad for themselves or their families have grown as

well, including a recent growth in transnational mortgage products.<sup>70</sup> The explosion of land-parceling enterprises (*lotificaciones*) has made accessing land a real possibility for lower-income urban and peri-urban residents, though with sometimes mixed results.<sup>71</sup> A growth in large-scale housing subdivisions built by both small and large developers has also created a new category of options for legal, low-cost housing for lower-income Salvadorans. (Fortin-Magaña, 2003)

Despite forward strides, households' precarious financial conditions, lack of appropriate options for housing finance, and a number of other obstacles on a macroeconomic level still conspire to keep a large number of families in El Salvador in deficient housing conditions. In 2005, the Salvadoran government stated in its National Housing Policy document that 34 percent of Salvadoran families did not have adequate housing. Over 70 percent of these families, it affirmed, fell into the two lowest income strata. (VVDU, 2005)

#### **4.2.2 Housing finance and other methods for accessing capital**

Other entities have affirmed that the housing buying power of many Salvadorans is low. (FUNDASAL, 2006). The 2005 Salvadoran national housing policy affirms that this limited capacity prevents the potential demand for housing from becoming an effective demand. (VVDU, 2005) Housing finance could provide the mechanism that allows households to pay in the future to purchase or improve housing in the present. One of the challenges of the current situation, according to the National Housing Policy, is that housing finance is mostly focused on higher-earning segments of the population. In a context of housing finance that is not oriented toward lower-income borrowers, insufficient income continues to be a reason why many are not able to access formal housing finance mechanisms. Also posing obstacles are the unsteadiness or informal nature of income and lack of collateral for loans. (Stein and Castillo, 2003) A lack of knowledge on the part of housing users of how to access formal housing finance mechanisms – or a prejudice against accessing them – can also pose hindrances to access. Limited experience with banking institutions, bureaucracies, and minimal levels of education on the part of housing users can all conspire to effectively restrict their access to housing finance mechanisms.

For these and other reasons, formal financial enabling mechanisms for accessing housing are not actually or effectively available to many Salvadoran households, a point acknowledged by the Salvadoran government. (VVDU, 2005) Finance remains out of the reach of those living in satisfactory conditions as well.<sup>72</sup> As the formal housing finance market does not serve large numbers of Salvadorans, they turn to other mechanisms to achieve desired housing outcomes.

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<sup>70</sup> This statement was confirmed in the author's interviews with the Inter-American Development Bank, CASALCO (umbrella organization of Salvadoran construction enterprises), two major banks engaged in transnational lending programs (Banco Agrícola and La Hipotecaria) and two major developers that cater to large numbers of migrant buyers (Grupo Roble and Salazar Romero).

<sup>71</sup> *Lotificaciones* are enterprises whereby private (formal or informal) entrepreneurs sell land in small parcels to mostly lower-income users and primarily in peri-urban areas. Such land-parcelling has also been characterized by unsavory practices that have negatively impacted housing users, namely, "legal precariousness of titles and the administration of public services". FUSA 2004, *Nota sectorial de vivienda para insumo al policy dialogue paper*, FUSA, San Salvador.

<sup>72</sup> The percentage of Salvadorans living in satisfactory conditions should not be equated with the functionality of the housing market for these actors. Many of those who *have* achieved satisfactory living conditions have often done so by recourse to their own means. Fortin-Magana writes that 23% of Salvadoran households have access to housing financing. This percentage, even though relatively high, means that 77% do not enjoy such access.

Sources have pointed to the likelihood that a large number of Salvadorans – if not a majority – utilize household-based strategies of capital accumulation and manage the improvement or construction of their own housing without reliance on formal financial institutions, government subsidies, or developer-driven schemes.<sup>73</sup> In kind if not in scale, this is in line with other developing countries, where such methods are estimated to produce over three-quarters of the housing stock. (Mitlin, 2000) In some locales in El Salvador, informal methods of housing production may be the rule more than the exception.

Stein et al. have written that households in El Salvador and other Central American countries often rely on their own savings, sell assets, or get informal loans from family or community members to gather the capital to improve or build housing. (Stein and Castillo, 2003) The contribution of the labor of the family can serve as an additional enabling factor. (Menjívar de Síntigo, 1997) For many, the viability of this strategy of housing production rests on a foundation of incremental, progressive improvements. Resources are often not available to conduct improvements all at once, so households phase their housing improvements in accordance with their capacity. (Stein and Castillo, 2003) In the case of households only able to satisfy minimal needs, the process may begin with less permanent materials, and gradually build to more permanent technology. (FUSAi, 2004)

### **4.3 The local housing context**

#### **4.3.1 Historical perspective on housing production and improvements**

Trends of housing production and improvement in San Jerónimo seem to corroborate many of the aforementioned reasons why Salvadorans are not able to access housing through formal means. Local conditions in this northern Santa Ana town also give us a telling look at how actors *are* able to improve their housing, using some of the methods mentioned above. This section will begin by painting a picture of how housing has been built in San Jerónimo historically. Over the course of conducting questionnaires about current housing improvements, more detailed interviews were conducted with select individuals – older residents, for example – who could give some insight into how the process of housing transformations took place previous to the ten year period that is the focus of this study. This was supplemented by interviews with residents not in the sample, and by an interview with three veteran masons. This perspective is thus limited, but gives some sense of the contours of the housing transformation process historically.<sup>74</sup>

Due partly to its distance from larger population centers, the survival of residents of the San Jerónimo area has largely been an independent affair. The means of housing production and improvement are only one example of the largely self-sufficient existence of this semi-subsistent agricultural community. Interviews with local residents have indicated that families themselves have historically taken on the responsibility for improving their housing circumstances. This autonomous process of production and improvements seems to have historically encompassed

<sup>73</sup> Referring to the urban housing problem, a report by FUSAi – a major Salvadoran economic development NGO – affirms that it is the informal housing market that is providing housing solutions for many Salvadorans. FUSAi 2004, *Nota sectorial de vivienda para insumo al policy dialogue paper*, FUSAi, San Salvador.

<sup>74</sup> No written material could be found regarding the history of housing transformations in San Jerónimo.

the four major inputs to housing production: land, labor, capital, and materials. Present day tactics are largely similar, with some notable differences that will be discussed later.

Families utilized a variety of mechanisms for accessing land, the first requirement for building new. In some cases, this meant getting tenure to land by either purchasing land or by inheriting it from family. Other tactics included building on land owned or occupied by family, building on land owned by some other (a large property owner or employer, for example) or invading land known as *baldío*, or municipal land.<sup>75</sup> According to these sources, the traditional building process was often incremental. Families would typically begin by building a single room. In some cases, all of the functions of the house would be in this room. Sometimes gradually and at other times immediately, rooms would be added to the house, including an open *corridor* that served at once as social gathering space and living room. Bedrooms would often be added in accordance with the needs of the family and their financial capacity. The continued modification of the house – adding bedrooms, building bathroom or a separate internal or external kitchen – would similarly respond to a family's needs, preferences, and ability to carry out the improvements.

The materials used to construct and improve dwellings seem to have changed greatly over time, responding to trends of building in the area, changing perceptions of the level of quality of different materials, the emergence of new building technologies, and the amounts that households in the area were able to invest. One older resident said that in 1983 his house was the first to be built in brick, a claim that was confirmed by others. Before this, he said, the majority of houses were built of adobe or bahareque, composed of natural materials found locally.

<sup>76</sup> Another informant said that she and her husband “went to the woods” to assemble a combination of natural materials to build their first house. Certain building materials could be made from natural resources (in the case of adobe and bahareque) and thus would potentially require only a minimal cash investment, while other materials, such as brick, would need to be purchased.<sup>77</sup> Depending on the financial situation of the family, a floor could be of pounded earth, cement tile, or cement. Roofing materials showed a similar range, including straw, metal laminate, clay tile, and cement tile to asbestos and fiberglass panels in more recent years. Materials, in sum, could be acquired cheaply or more expensively, and all at once or incrementally. Decisions about what materials would be used, to reiterate earlier arguments, took place largely in accordance with the needs and the abilities of the household.

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<sup>75</sup> In its report on the implementation of a rural housing program, FUNDASAL has noted that it encountered a high proportion of families without actual title to their properties. MENJÍVAR DE SÍNTIGO, A. 1997, *Programa obsidiana: una experiencia en la construcción del habitat rural y un aporte a la reconstrucción nacional*, FUNDASAL, San Salvador. The historical status of title for land did not become clear in interviews about past housing practices in San Jerónimo. Since few instances of forced evictions were mentioned in interviews, it may be the case that some families did not have title *de facto* but felt a high enough level of perceived security to proceed with building on the land.

<sup>76</sup> These are both methods of constructing walls out of earth. Sun-dried adobe bricks are made from clay and water reinforced with binding agents. Bahareque is a more basic construction of a similar mix poured to form the wall and reinforced by binding agents and bamboo or other structural elements.

<sup>77</sup> Adobe did not necessarily mean no-cost self-construction: a local veteran mason said that many families paid him to build in adobe.

The input of labor likewise took shape in response to the needs and abilities of the household. Several households noted that they slowly built their homes by contributing their own labor and relying on the help of family and neighbors. Such assistance would often be mutual, based on an understanding of reciprocity. In one example, brothers helped each other when the time came for each to construct his family's home. It was noted that this work would be more likely to happen in the summer, when there was less farm work to be done. Some respondents noted that they paid masons or helpers to construct or improve their home, sometimes contributing their own labor to the process to reduce costs. Labor costs thus could range from very low or none, in the case of projects of mutual help, and scale up to higher costs in cases where compensated labor was used.

In tune with other examples of autonomous or self-help housing processes, households in the San Jerónimo area have used diverse methods to accumulate capital for housing improvements and construction. Gradual savings from household earnings has been one method of building up capital. This was often aided by providence, as small farmers were able to cash in on especially productive harvests. When not saved, invested in the next harvest, or otherwise utilized, such funds served as seed capital for housing improvements. Cash was also raised through the sales of assets, often livestock and poultry. Selling part or all of an inheritance also was mentioned as a means for gathering resources for housing. Different households were obviously better positioned than others to accumulate capital.

Poorer households, according to interviews, often were forced to dedicate nearly the bulk of their income to basic consumption needs. This dynamic persists today. A lack of capital translated into deficient housing conditions for some; for others it meant only being able to make minimal improvements to their housing circumstances. It could thus be said that a lack of capital acted as a bottleneck in the housing improvement process. This lack of financial resources, according to interviews, often limited the scope of housing transformations that households could perform and expanded the time that it took to complete such transformations. For many households, it is likely that a lack of capital put a cap on the scope of improvements that they could perform. Taking a loan from a bank or financial institution for housing purposes was never mentioned as a strategy for gaining access to capital.

#### **4.3.2 Current conditions of housing production and improvement**

The present day process of improving and constructing housing seems largely similar for families in the San Jerónimo area. Households in San Jerónimo still rely on their own efforts to construct and improve housing. Land is accessed in similar ways to those recorded before, though anecdotal accounts indicate that prices for land purchase have risen precipitously in the last decade and methods of purchasing land have changed. The materiality of houses still varies, shaped by the preferences of households and their financial capabilities. Household members still play a role in the process of construction improvements, but this role is found more in coordinating the process and acquiring materials than in laying bricks or swinging a hammer. The means for accessing capital remains the same for some families, but has changed drastically for others.

A comparison of remittance and non-remittance households, however, shows that there is a divergence in the strategies that households are utilizing to construct and improve their housing. The results of this study suggest that remittances are influencing the way that households access and manage the inputs to housing. This section will look at how all households have gone about improving their housing, and will focus in on how remittances may play a role in shaping this process.

#### **4.3.3 Relationship of households to financial institutions**

The task of explaining current strategies for capital accumulation requires one to first understand how households do *not* access capital for housing improvements. Households' recipes for gathering resources for building or improving a house still show great variety. Like historical accounts of the housing process, they have in common a wholesale rejection of housing finance; housing loans as a tool play no part in housing production and improvement in the sample population. Understanding this fact requires, in turn, some explanation of the relationship between households and financial institutions, as well as an exposition of respondents' attitudes toward loans.

#### **4.3.4 Usage of banking services**

Respondents were asked about their relationship to the banking sector, their use of loans, and, when applicable, their reasons for not using formal financial services. Most households had little or no formalized relationship to formal financial institutions. To begin, only fifteen percent of households had a bank account, a result that showed consistency across income groups.<sup>78</sup> There was no significant difference between remittance and non-remittance households in banking practices.<sup>79</sup> Many of the 62% of remittance households families did, however, make the trip to a bank or other office to claim remittances on a semi-regular basis. This suggests that low usage of banks is more than a logistical issue. Respondents' comments about banks indicate that a low pattern of usage may have a great deal to do with fear and distrust of financial institutions, and the widespread view of a bank account less a resource for households than an impediment to quick access to their savings. More detailed information on banking practices of households can be found in Annex 2.

The accumulation of savings outside of financial institutions appeared to be the preferred method of accumulating capital, but the data does not indicate that the practice of savings are as widespread as might be expected given the amount of respondents who said that they funded improvements through savings. Remittance households said that they saved \$14.55 per month, as compared to \$5.69 for non-remittance households, not a significant difference. Most responded as if savings was an impossible goal, nearly scoffing at the question. Others saved only small monthly amounts, the most common being \$5 monthly, and a limited number admitted to larger savings on a monthly basis. These responses in general were contradicted by the cases where households defined savings as the funding source for housing improvements,

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<sup>78</sup> The nearest bank branches are located at a distance of about 30 kilometers in the city of Metapán, a possible reason for these low percentages.

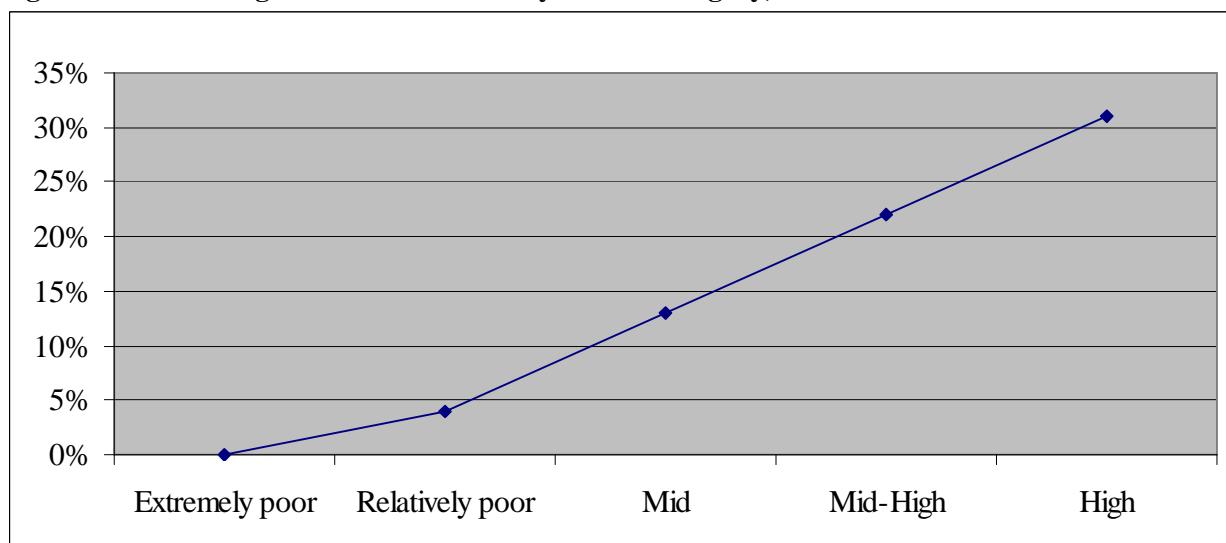
<sup>79</sup> Remittance households (16.2%) were slightly more likely to have a bank account than non-remittance households (12.5%) but not enough to represent a significant difference.

and other stories that families told about how they covered costs with funds that they had saved.<sup>80</sup>

#### 4.3.5 Loan usage

Formal loan usage showed similarly low rates. To reiterate, households had never used housing finance as a tool to access capital for housing improvement or construction.<sup>81</sup> Fifteen percent of respondents had used a formal loan for some purpose. Formal loan usage had an almost exact correlation with household income category.<sup>82</sup> The poorer the household, it appears, the less likely they were to use a formal loan – a finding that showed no significant difference between remittance and non-remittance households.<sup>83</sup>

**Figure 15: Percentage of formal loan use by income category, all households**



Respondents were asked to comment on why they had never gone to a financial institution to take out a loan. Responses to this question did not specifically address housing loans, but give us a general sense of common sentiments about formal loans. These responses fell roughly into three different areas. Some examples of respondents' words are shared in Table 3.

Respondents' reasons for never having had a loan are largely based on practical concerns. First among them is lack of financial capacity; many expressed that they do not have consistent enough income to pay back a loan. Others explained that various factors – difficult paperwork,

<sup>80</sup> In an extreme example, one mother of a migrant had claimed to have saved over \$100,000 in her small adobe house over nearly twenty years; another said she set aside \$50 every month from the money her daughters sent her. A non-remittance household head talked of putting away some money whenever the harvest was especially good.

<sup>81</sup> Households had occasionally taken out loans for other purposes, including the purchase of land for agriculture or livestock (see Annex 2 for more detail).

<sup>82</sup> The analysis was based on whether or not the household had ever taken a formal loan, not based on the amount of loans that a household had taken. Chi-square two-sided significance was .026, with a linear-by-linear association of .001. There was no significant difference in formal loan usage based on remittance status.

<sup>83</sup> None of the data on loan usage showed significant differences between remittance and non-remittance households.

lack of property title, lack of assets – posed obstacles to qualifying for a loan in their estimation.<sup>84</sup> The low schooling levels of most household heads – an average of slightly more than two years – could also play a role in low rates of formal loan usage.

Several respondents commented that there was “no need” to take out a loan since they were able to cover their expenses with the household’s current income. This did not mean that all of the household’s needs had been completely satisfied. Rather, households seemed resistant to spending more than they had. In a context in which deprivation sometimes is right around the corner, many pointed out that they would not be able to guarantee their income in the future and thus pay a loan of a fixed monthly amount.

**Table 3: Examples of respondents’ attitudes toward formal loans**

<b>Fear of non-payment</b>	<b>Doesn’t like debt</b>	<b>Loans don’t match capabilities of household</b>
“We have no resources to pay it back.”	“We don’t like to take out loans. We save money if we need something.”	“It’s not easy to go to the bank because they ask you for a lot of paperwork.”
“I’m afraid of banks; you can lose your property.”	“It’s better to deal with your situation than to go into debt.”	“They don’t give poor people money. They wanted the title of the land and it wasn’t possible because it’s not legal.”
“It’s better to be poor than to be worried.”	“I don’t trust banks.”	“If you don’t have anything they won’t give you anything.”
“One is poor and might not pay it later on.”	“I don’t like what’s not mine; I don’t like those kind of responsibilities.”	“We are...interested, but due to poverty and our salary, it’s not possible.”
“Things wind up bad if you don’t pay.”	“It’s better to be as you are, with the little that you have.”	
“From what would I pay it back?”		

Households were not, however, entirely resistant to the use of all loans, as described in more detail in Annex 2. Fifty-three percent of all households had, in fact, taken some kind of loan, whether a formal loan (15%), a loan from a friend or relative (40%) or an informal moneylender (11%). These loans included small loans from a neighbor and loans of several thousand dollars to buy cattle or finance a migrant’s trip north, sometimes at high interest rates. These figures suggest that households are not experiencing a generalized phobia toward loans. Rather, they are only willing to take on loans for a certain purpose. Many households expressed that they would

<sup>84</sup> Households may not be able to access loans that cater to the amounts that they are capable of paying on a monthly basis. It also may be the case that households are not aware of the options for loans that would serve their needs and conform to their capacities for payment. As discussed earlier in this chapter, housing loan products of various types are becoming available to a wider segment of the population, introducing new options that cater to the needs and abilities of formerly marginalized populations. Some of these options can be found in Metapán, but not a single household said that they had accessed them.

entertain taking out a formal loan of a significant amount only if it served to leverage some kind of future income.

Housing loans – whether informal or formal – do not meet this criteria. Whether by design or by circumstance, households expressed that they do not like to spend more than they have when they improve their houses. It should be added that households did not seem to conceive of housing as a financial investment per se. Although many households seemed to put a high use value on their homes, rarely did respondents talked about housing as an investment solely for the purpose, for example, of earning rental income or expecting future appreciation.

### **4.3.6 An unregulated building environment**

In present-day San Jerónimo area, building code inspections or other regulatory mechanisms were almost completely absent from the process of building or improving housing. Municipal officials in Metapán confirmed that nearly all construction or improvement of private housing in the San Jerónimo area occurs without any official oversight.<sup>85</sup> Although the area technically falls under the jurisdiction and authority of Metapán to inspect, such inspections do not occur in practice.<sup>86</sup> These same officials said that this dynamic was characteristic of most of the rural zone of the municipality. Land divisions were, however, regulated by the municipality, even if these were relatively infrequent. Land owners who wished to subdivide their land and sell the subdivided parcels required municipal approval to do so.<sup>87</sup>

## **4.4 Capital for housing purposes**

### **4.4.1 Introduction**

Since this study is designed to gauge the role of remittances based on differential impacts, the majority of the study's findings on how and how much remittances are being used as capital will be reserved for the following chapter. This section will discuss all respondents' perceptions of remittances as a source of capital for housing improvements. It will then discuss findings that suggest that additional flows of remittances may act as a separate source of capital for remittance households.

### **4.4.2 Views of remittances' role as the capital enabling housing improvements**

All households were asked an open-ended question about what differences remittances could make in a family's way of life. Over 40% of respondents named improvements in housing as one of the ways that remittances could make a positive difference for households. This undoubtedly has something to do with the visibility of housing as a phenomenon, coupled with a small town's unique through-the-grapevine knowledge of who has and who has not. Some examples give us a sense of the tenor of the responses:

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<sup>85</sup> One municipal official commented that he had not seen a single application for a housing building permit during his ten year tenure working with the municipality.

<sup>86</sup> Lack of sufficient staff to inspect in rural areas was put forth as one explanation for why most housing is produced without any official inspection.

<sup>87</sup> Three such land divisions were said to have taken place in San Jerónimo proper over the course of the last decade.

You see the difference between the houses, [those with remittances] have their houses nicely arranged, made of brick and block, nice doors and walls, furnished.

[Those with remittances] can have their pretty little houses with furniture, made of brick....they have duralita [roofing] and iron in them.

People who get remittances have good houses, houses of cement with ceramic [floors], some have new homes.

You see the difference in the house...you see that [migrants] have sent for the houses to be built.

People are knocking down old houses and building new ones. That's how the town is growing.

Some respondents volunteered that migrant members of their household had gone with the specific idea of improving their home or building a new one. Returned migrants talked about how housing was one the goals that fueled their hard work abroad; mothers talked about how daughters left El Salvador after promising to renovate the family kitchen one day; the families of recently-departed migrants expressed hope that they would one day be able to change their housing circumstances. The unifying thread of these testimonies was the idea that remittances would provide the capital that would enable these families to improve their housing circumstances.

*Returned migrant:* I went to Boston for three years – the idea was to spend some time there working and get enough together to fix up the house.

*Wife of current migrant:* Remittances can improve our situation. As soon as we can, the first thing we want to do is buy our *solar* (small plot of land).

*Mother of current migrant:* My son saved all these years, and we both always had the idea of building a new house, for him to come back to and for me to enjoy.

One respondents' contention that "people who have nice houses here built them with money from there" is a point-of-view that echoes the sentiments of many respondents. Not all respondents agreed with this as a general principle – some had themselves been able to build homes without remittances – but the idea that remittances can have a big impact on a household's ability to improve their housing circumstances seemed to be generally acknowledged. Moreover, this idea had seemed to motivate the decisions of some migrants to leave their hometown in pursuit of opportunities to raise the money to fund housing improvements.

#### **4.4.3 Sources of funding and "additional remittances"**

Households were asked to define what the source of funding was for the selected improvement.  
<sup>88</sup> The value of these answers to the present inquiry is limited, given the fungibility of most of

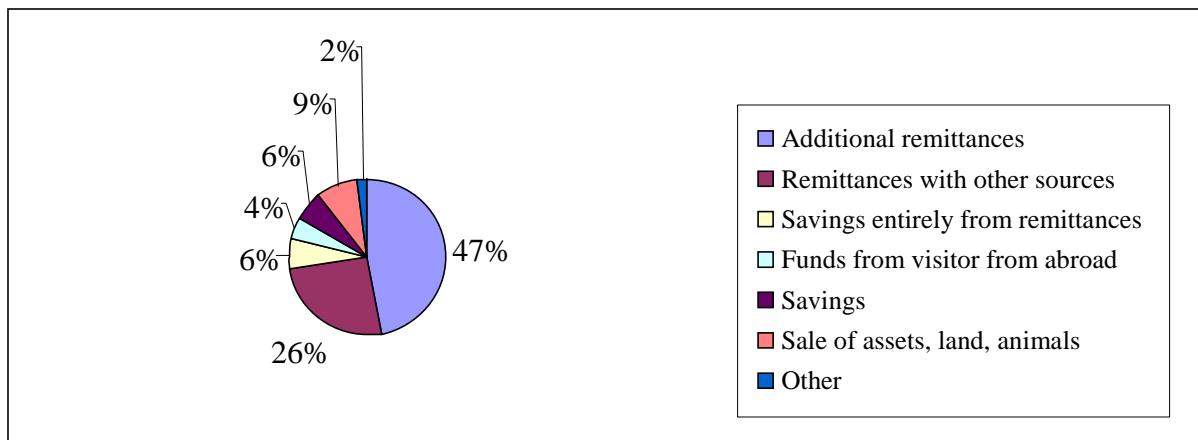
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<sup>88</sup> These categories – recoded to include the wide range of responses – were: regular household income, additional remittances, savings, bank loan, funds from visitor from abroad, sales of assets, animals, or land, regular household income plus savings, remittances plus financial assistance from others in El Salvador, savings from migrant's time

the funding sources that were named.<sup>89</sup> Certain responses do, however, reveal patterns that are useful in explaining how remittances are used for housing purposes.

Looking only at remittance receivers, we see that eighty-three percent of households responded that remittances entirely or partially funded the construction work that they performed.<sup>90</sup> This finding does not serve to confirm remittances as the source of funding given the fungibility of income. It is nevertheless notable that remittance receivers almost exclusively identified remittances as the source that enabled them to fund housing improvements.<sup>91</sup>

**Figure 16: Funding source of improvements defined by respondent**



Forty-seven percent of respondents said that they funded improvements through “additional remittances”, or remittances beyond the amount recorded as regular remittance flows.<sup>92</sup> It was confirmed in two-thirds of these cases that “additional remittances” meant that improvements were entirely funded through remittances sent for the sole purpose of carrying out the improvement. In other words, remittances directly funded improvements and were distinct from

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abroad, regular household income and assistance from others in El Salvador, savings entirely from remittances, remittances and other mixed sources, regular household income plus savings from remittances, and other.

<sup>89</sup> For example, a household with \$600 in annual remittances and \$1,200 in annual income could say that they said that they paid for improvements totaling \$600 through remittances, whereas a household with \$1,200 in remittances and \$600 in annual income could say that they funded improvements through regular income. While both answers could be said to be accurate, neither sheds much light on the current inquiry, except, perhaps, to give a sense of how many households positively conceptualize remittances as an enabling factor.

<sup>90</sup> Whether through remittances, partial remittances, savings from remittances, or funds from a visitor from abroad.

<sup>91</sup> Households themselves obviously have the best grasp of how remittances have created opportunities for housing improvements, perhaps for the first time in the household’s existence. The high proportion of respondents who have identified remittances as the source of funds perhaps attests to households’ belief that remittances are what enabled them to improve their housing circumstances.

<sup>92</sup> These 15 households had received remittances from migrants abroad to pay directly for construction materials, to pay laborers, and to purchase land. For example, a mother would find out from the mason how much brick was necessary for that week’s work and communicate this to, say, her daughter in the U.S., who would send remittances to cover that amount. She would then contract an informal transport service to take her to Metapán. At that point (or beforehand) she would receive the disbursement of remittances at the bank that she had prearranged with her daughter in the United States, and then pay for the materials, transport, and perhaps pay the mason.

the amounts that households had cited as their regular remittance flows. This accounts for 32% of the funding sources defined by remittance-receiving households.<sup>93</sup> This is an important finding because it means that these families were not drawing from their income (income including remittances and other sources) to pay for improvements, but were rather receiving additional remittances to pay directly for housing improvements.

## **4.5 Inputs of labor, materials, and land**

### **4.5.1 Introduction**

Data was collected from respondents on a number of aspects of the construction process relating to how, when, and by whom the materials were acquired, who coordinated various aspects of the construction process, and who performed the work. Surveyors gathered data on one improvement event, in most cases the largest improvement in terms of dollar amount.<sup>94</sup> All information below is based on a comparison of remittance and non-remittance households who carried out improvement work. Annex 8 provides a supplement to these data, featuring examples of how particular households improved their housing circumstances and what combination of strategies they utilized to achieve these improvements.

### **4.5.2 Labor**

Patterns of labor responsibility show a remarkable difference between groups. Remittance status has a significant impact on the labor strategy that households utilize to make improvements or build new. Remittance households have shown a shift in tactics for managing the labor input to housing in comparison to non-remittance households.<sup>95</sup> Remittance households used their own labor to make improvements much less frequently and used paid labor to carry out improvements in a much greater proportion than non-remittance households.<sup>96</sup>

In non-remittance households half of the time it is the head of the household who does all of the labor, on his own or with the assistance of family members (see Table 4). In 30% of

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<sup>93</sup> Each household that made housing improvements stated the source of funding for the improvements (sometimes a mixed source of funds). In 32% of all cases this source was remittances sent directly to fund the improvements.

<sup>94</sup> Time and space did not permit a full recording of the data for each improvement “episode”, but only a single improvement event. For example, while some households had constructed new or made a large improvement all at once, others had made a series of improvements over the course of the decade, each with particular characteristics. As a result, the data does not represent every improvement project that was carried out by households, but does represent information on every household that made improvements. This data serves nevertheless as a good approximation of how households went about improving their homes or constructing new ones. In some cases data was taken on a smaller-sized improvement project because the respondent had a better knowledge of this project.

<sup>95</sup> The impact of remittances on labor strategy (labor use vs. non-use) showed a high significance ( $p=.008$ ). A longitudinal study of improvement patterns would tell us with more confidence whether remittance households have actually used paid labor to supplant some or all of the labor that was previously undertaken by the migrant abroad.

<sup>96</sup> Hiring more labor may be enabled by the higher spending power of remittance receiving households, but also may occur as a result of a greater need for labor on the part of remittance households, since these households are building bigger and more labor-intensive projects, such as the new houses that will be discussed in the following chapter. These labor patterns may also be related to the higher proportion of male migrants, whose absence could be increasing the necessity for hiring extra-familial labor.

cases the household contracted with a mason or a mason with helpers to carry out the work.

<sup>97</sup> In only 10% of cases did the head of household combine his own efforts with those of a paid laborer. These typologies of labor strategies appear somewhat similar to descriptions of how families have historically built or improved their housing.

Remittance households do not bear the same resemblance to historical patterns (see Figure 17 and Table 4). <sup>98</sup> In a much smaller number of cases – 11% versus 50% – the work was carried out by the head of household alone or with other family members' assistance. In 81% of cases remittance households used paid labor alone or combined their labor with a hired mason. In 52 % of cases, the household hired a mason or a mason with helpers to complete the work, and did not contribute the physical labor of the household to the process at all. <sup>99</sup> Instead of spending their own time to make the improvements, remittance households are spending more money on labor – what could be seen as a shift from investing sweat equity to investing the additional monetary equity that is made possible by remittances. <sup>100</sup> Annex 4 discusses the evolution of labor tactics in the area and how this and other aspects of the housing process could be creating multiplier effects in the local economy.

**Table 4: Distribution of labor responsibility**

Who did the work?		Remittance	Non-remittance
Head of household male		4%	20%
Head of household with family assistance		7%	30%
Head of household + mason		13%	10%
Head of household + mason + helpers		16%	0%
Mason		5%	10%
Mason + helpers		47%	20%

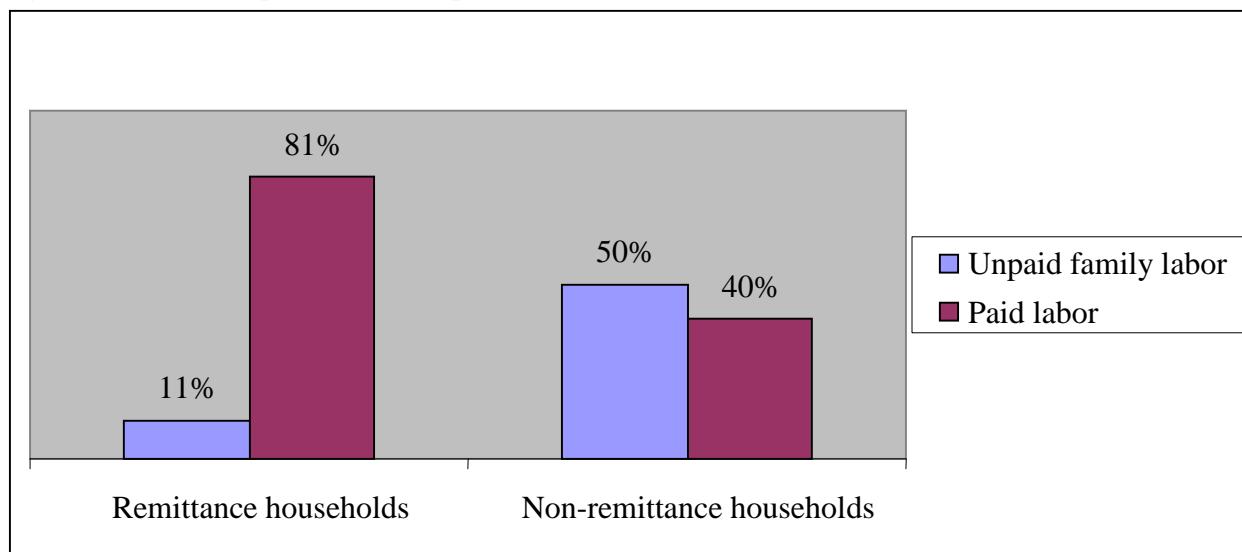
<sup>97</sup> "Mason" is a direct translation of "albañil", the term most frequently used to describe the craftsman who does all aspects of construction work on homes – not just masonry work.

<sup>98</sup> This figure does not include the "other" category, which was nearly equal between groups and constituted 8% of all households.

<sup>99</sup> Household with remittances not only hired labor more often to carry out the improvements; they also hired more workers. In one-third of cases, non-remittance households hired a mason with masons' helpers to carry out the work, and in the remaining two-thirds hired only a mason. Remittance households hired a mason with masons' helpers 96% of the time. This difference was not significant due to the small sub-category size.

<sup>100</sup> In two cases (classified as "other") remittance households had hired a mason who acted more as a general contractor, completing the work for a stipulated price. In one case, a migrant had contracted the mason from abroad, explaining that he said he did not want to burden his father with the responsibility of supervising the mason. He paid the mason half of the price when he started and the remainder upon completion. In the other case, the father of a migrant received funding to build an addition, and similarly stated that he used this different approach because he did not want to have to watch over the laborers to make sure they were productive.

**Figure 17: Labor responsibility comparison**



**Image 5: Construction labor**



According to interviews with local masons, the trade was growing in the San Jerónimo area as a large percentage of remittance households turned to paid labor.

### 4.5.3 Responsibility for materials acquisition

Responsibility for materials acquisition was defined as the person who coordinated how much building material needed to be ordered, when to order it, how to pay for it, and how to transport material to the construction site. Only about 10% of households in both groups relinquished the responsibility for acquiring the materials for improvements by paying an outside party to take on this task; most kept this responsibility within the family. There was no significant difference in where households acquired materials, how they transported them, and how long they took to buy them.<sup>101</sup>

It is the specifics of this responsibility that showed marked differences between the groups. Non-remittance households exhibit a very standard approach to this responsibility, with the head of household taking care of the acquisition of materials in 80% of cases. In remittance households the head takes on this responsibility in a smaller 43% of cases. The significant difference occurs in the remainder of cases, where responsibility is dispersed amongst a range of different parties, the great majority of them family members who live both in and outside of the household.<sup>102</sup> In remittance households, responsibility for acquiring construction materials is dispersed amongst a much wider range of actors.<sup>103</sup>

### 4.5.4 Responsibility for supervision of the work

Data was also collected on work supervision, defined as either supervising while one participated in the physical labor or supervising the process while other paid or unpaid laborers carried out the improvements. The responsibility for supervision of the work show almost identical patterns to materials acquisition. In non-remittance households it is the head of household who has this responsibility in 90 % of cases. Remittances households, by contrast, show significantly different patterns; they are more likely to transfer this responsibility to some other party, in almost all cases someone who is part of the household's extended family network.<sup>104</sup> (see Figure 18) The gender profile of work supervision also shows a significant difference. In thirty percent of valid cases, remittance household improvements were supervised by a female member of the household or a female family

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<sup>101</sup> It is, however, worthwhile to know what households had in common, as it sheds light on how the self-managed improvement process functions. For more details on the materials acquisition process, see Annex 3.

<sup>102</sup> The impact of remittance status on materials acquisition responsibility was found to be significant at a <.05 level (.027) when responsibility was recoded into "traditional head of household" versus "other parties". Paying an outside transporter, which showed almost the same percentages in both groups, was excluded to reduce the number of categories, and "visiting or returned migrant" was included in the "other parties" category. This same recoding breakdown applies to the responsibility of work supervision. With all categories of responsibility included, significance is .013.

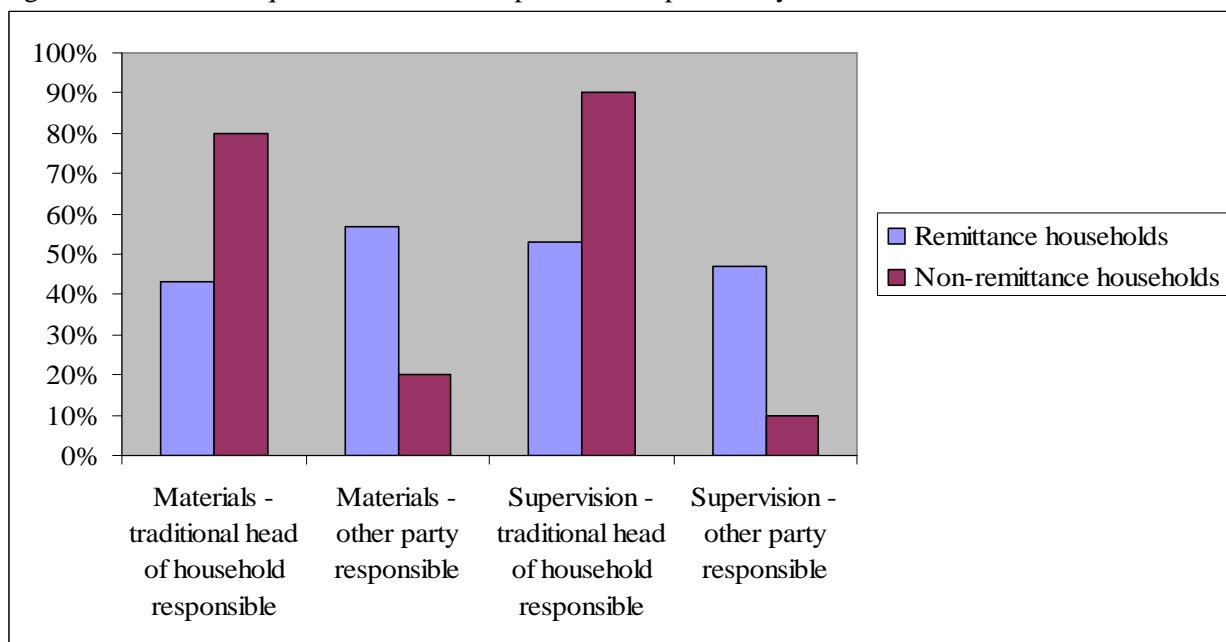
<sup>103</sup> Of cases where the head of household was not responsible, 75% had a family member as the responsible party, and the remainder were handled by a professional transporter or the mason.

<sup>104</sup> This finding is significant (p=.046). The breakdown of recoding was identical to the recoding of material responsibility. With all categories of responsibility included, significance is .021. Of cases where the head of household was not responsible, 96% had a family member as the responsible party, and the remainder was handled by the mason.

member, whereas women had no supervisory involvement in non-remittance households' improvements.<sup>105</sup>

These results tell us that households who have benefited from remittances demonstrate significantly different patterns of responsibility for managing two major aspects of the housing improvement process – material acquisition and supervision responsibility. Although less heads of households control these responsibilities, it has not resulted in responsibility being outsourced to a compensated outside party, as in the case of labor responsibility. Rather, households are relying on their network of social capital – mostly their extended family – to be able to securely invest their capital in housing improvements. Control of how the money gets spent and oversight of how the work gets done has remained in the hands of the family.

Figure 18: Material acquisition and labor supervision responsibility



#### 4.5.5 Land purchase

As detailed in Chapter Three, the large majority of households in the study area said they were the owners of their land. In most cases households built or improved housing on land that they said they owned. In the cases of new houses, instances when information was collected indicate that new homes were built on land that was purchased by a migrant, purchased by the household, inherited from a family member, or donated by someone.

Information was not collected specifically about how households came to acquire their land. Information was, however, collected on whether households had many any land purchases

<sup>105</sup> Significance was .049, based on an analysis of the data that was gender specific (80% of cases of improvements). Non-gender specific data was excluded from this analysis.

over the last decade.<sup>106</sup> A large amount of money had, in fact, been spent on land; the details of these purchases will be shared in the following chapter. Land purchase patterns showed a marked difference between remittance and non-remittance households, both in terms of the typology of the purchase and the gender of who made the purchase.

The four non-remittance households pursued an orthodox strategy for purchasing land, namely, the head of the household carried out the purchase and held the title to the land in his name, and confirmed that he was the owner of the plot. All of these purchases were made by male heads of household.

**Image 6: Land purchases**



**Family members were the liaisons for land purchases in the majority of purchases by remittance households. Several respondents said that they actively looked for land for their family members abroad. Households purchased urbanized land, farmland, and lots sold by large landowners.**

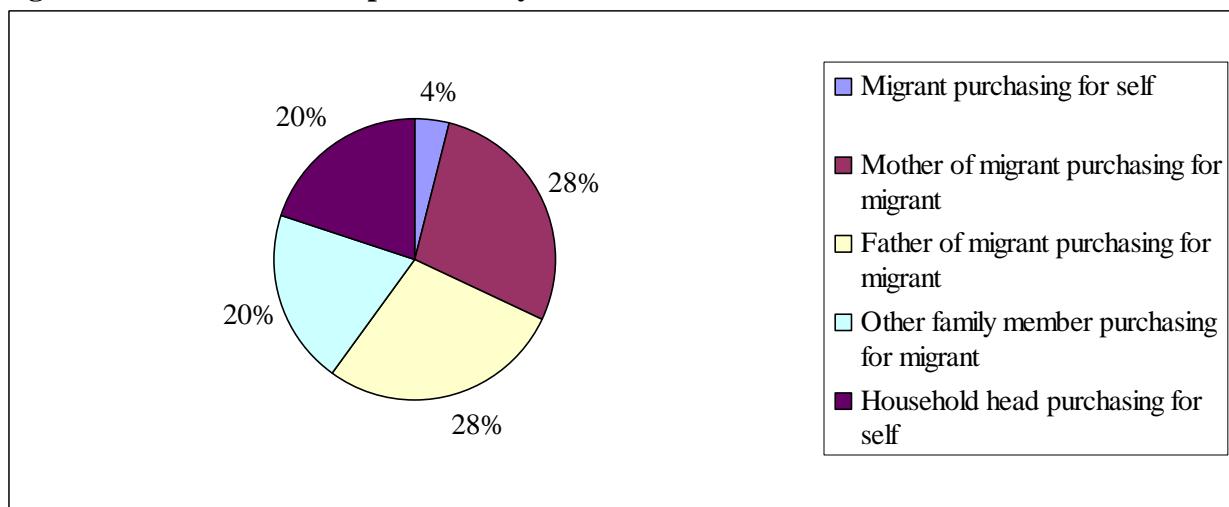
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<sup>106</sup> Data was gathered on who purchased the parcel (i.e. who delivered the money to purchase the plot), in whose name the title was at the time of purchase, and who the respondent defined as the “owner”. This detailed data was gathered as a result of test interviews that indicated that such liaison purchases may be commonly occurring. Respondents were asked who purchased the land, in whose name the land was, who was the owner of the land, what was the price, when it was purchased, and for what purpose the land was purchased. *Who* exactly provided the funding was not specifically confirmed, unfortunately, so we can only infer connections between purchaser and the named “owner” of the property. Anecdotal accounts of such liaison transactions all indicated that actors in El Salvador purchased land entirely with funds from migrants abroad.

The great majority of remittance households exhibited completely different pattern of land acquisition. In 76% of remittance household land purchases, it was the family member of a migrant who purchased the plot for a migrant member of the household who was living abroad, representing a highly significant difference between groups.<sup>107</sup> Mothers and fathers of migrants played an equal part in serving as the purchaser of land for a member of the household living abroad, with this dynamic in total constituting 56% of all land purchases.<sup>108</sup> In 20% of cases another family member took on the task of purchasing land for a migrant member of the household who was abroad.<sup>109</sup>

Remarkably, when remittance households bought land for housing, women were more likely to be responsible for the purchase than men. In 55% of purchases female relatives of migrants purchased land for migrant members of the household living abroad, with the remaining 45% of land transactions carried out by male relatives.<sup>110</sup> Coupled with the fact that women are the receivers of remittances in at least 45% of cases, this finding suggests that women are playing a primary role in coordinating the spending of remittances for land purchases.

**Figure 19: Method of land purchase by remittance households**



<sup>107</sup> The difference between groups based on a coding into “conventional” or “liaison” purchase structure was statistically significant at .001.

<sup>108</sup> This means that the person was the mother or father of a migrant, but does not confirm that the person purchased the land for his or her son or daughter. Data was not collected in all cases on the relationship between the official purchaser and the owner, but the author estimates that in more than half of cases mothers and fathers were purchasing on behalf of their sons or daughters who were living abroad.

<sup>109</sup> Twenty percent of cases were exactly the same as non-remittance households, with the head of household purchasing the land directly for the household’s use for some housing purpose. In 4% of cases a visiting or returned migrant member of the household made the purchase for him or herself, with no difference between purchaser, title holder, and owner status.

<sup>110</sup> This gender difference showed significance of .044.

#### 4.6 Summary

El Salvador faces a large housing deficit, most of it in terms of the quality of the dwellings. Although progress has been made in formal institutions to address national housing issues, the majority of households across the country continue to rely on their own resources and largely informal mechanisms to address their housing needs. Finance is not an option available to many. The study locale has historically been a place where households gather the resources and collaborate to produce their own housing. By most accounts a lack of reliance on any formal institutions has characterized this process in the past as well as the present. This self-reliance seems deep rooted in local housing methodologies with regard to all inputs to housing. Low incomes in the study area may make it difficult to accumulate capital for housing improvements, however, meaning that this process can be sometimes slow and incremental. The lack of availability of capital, historically and in the present, may have acted as a bottleneck to the production of housing for some, and a complete obstacle to others.

The data indicates strongly that households have a tenuous relationship with financial institutions. The percentage of households with bank accounts is low, as is the percentage of formal loan usage. Respondents' attitudes toward formal loan usage are reluctant at best, corroborating the local modus operandi for housing improvements: build your housing with what you already have.

A large proportion of all households seem to view remittances as a powerful tool that enables households to improve their housing circumstances. In a place where it is difficult to make ends meet – let alone generate large amounts of capital – remittances are seen as the key factor that distinguishes those who can and those who cannot improve their housing situation. The great majority of remittance households underlined this conception of remittances by identifying them as the funding source of their housing improvements. Remarkably, a closer look at these funding sources reveals that remittances may be sent directly to fund housing improvements – and more than indicated by the initial reports of remittances as income would indicate.

All households continue to build or improve their housing in an autonomous manner, but the process of housing improvements and construction has taken on a different shape in the case of remittance households. The most remarkable difference is found in labor practices, where remittance households show less likelihood of contributing their own labor to the housing process and a significantly greater percentage of remittance households hire others to carry out improvement work. Patterns of responsibility for material acquisition and work supervision show marked differences between groups; remittance households dispersed responsibility for these tasks amongst various family members, contrasting with the monotypic process in non-remittance households. Women were also more likely to take the lead on supervising improvements in remittance households.

The process of acquiring land also shows significant differences, both in terms of typology and the gender of the actors involved. The typology of land transactions shows a major difference between a monotype of control by the household head to a strategy whereby family members serve as a liaison who purchases land on behalf of a migrant member of the household living abroad. Women, significantly, are more likely to make these purchases than men, signaling a shift in gender roles in this aspect of the housing production process.

## **Chapter Five – Remittance impacts on housing outcomes**

### **5.1 Introduction**

This chapter shares the survey results regarding the impact of remittances on housing production and improvement. It concentrates on explaining how and how much remittances are being used to build and improve housing for the households that receive them, and describes the type of housing improvements and production that households are carrying out.

The first section presents data on how much remittances are being spent on housing, what patterns this spending exhibits, and how this differs from non-receiving households. It then moves to a discussion of remarkable patterns in the distribution of housing spending. It comments on what this might tell us about the impact of remittances on housing for low-income families, and what it may reveal about how remittances uniquely function as a form of capital. The chapter then paints a picture of the impact of remittances on the face of housing in the San Jerónimo area, describing the changes in the materials of houses, the existing houses that have been expanded and improved, and the new houses that have been built. The final section presents additional data about how remittances are impacting particular income groups in transformational ways. It then ends by estimating what these results might indicate about the proportion of remittances that are used for housing purposes in the sample as a whole.

### **5.2 Patterns of housing spending**

#### **5.2.1 Scope and frequency of housing spending between groups**

National statistics tell us that a small percentage of remittances – a scant .27 percent – are used for housing improvement and construction purposes. Given this information, it would be hard to anticipate the impact that remittances seem to be having on housing in a place like San Jerónimo. New brick houses, freshly painted stucco facades, and two-story homes may represent one of the most visible impacts of migration and remittances on this rural area. Remittances appear to be having a profound impact on how remittance-receiving households are able to improve their housing circumstances.

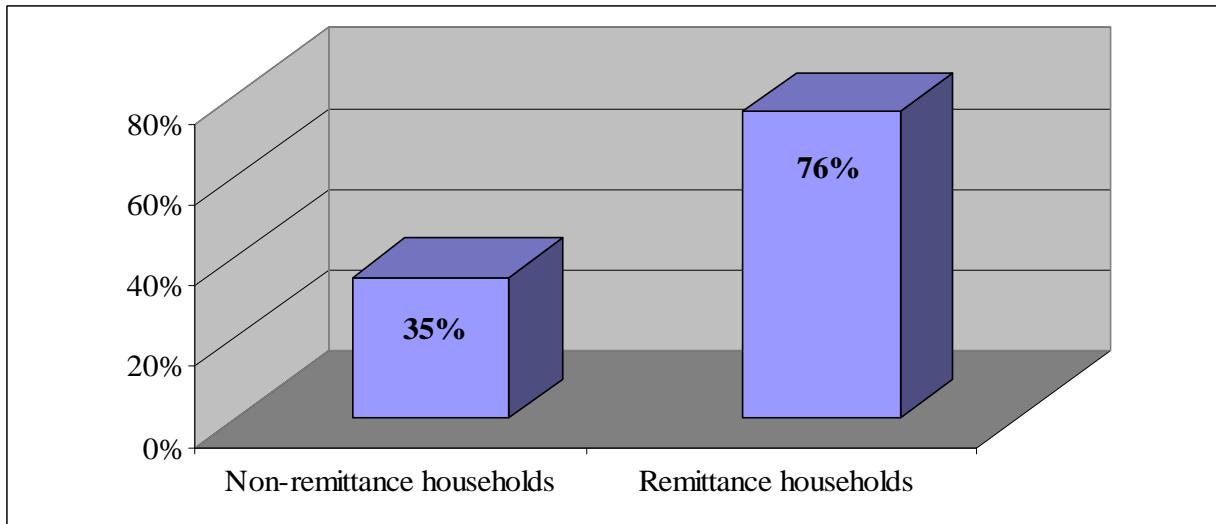
The following sections argue and provide evidence that remittances play a major role in providing capital for housing purposes. They are serving as a powerful mechanism that impacts the scope and kind of improvements that households can carry out. With the additional income from remittances, many remittance-receiving households are able to improve their housing conditions to a greater degree and with greater frequency than their neighbors who do not receive income from migrants abroad. Remittances households in the study area have proportionally and quantitatively made more improvements to their housing than non-remittance households. Households with remittances are more than twice as likely to have made housing improvements over the course of the last ten years.<sup>111</sup> Nearly two-thirds of those who do not receive remittances have made no improvements to their housing

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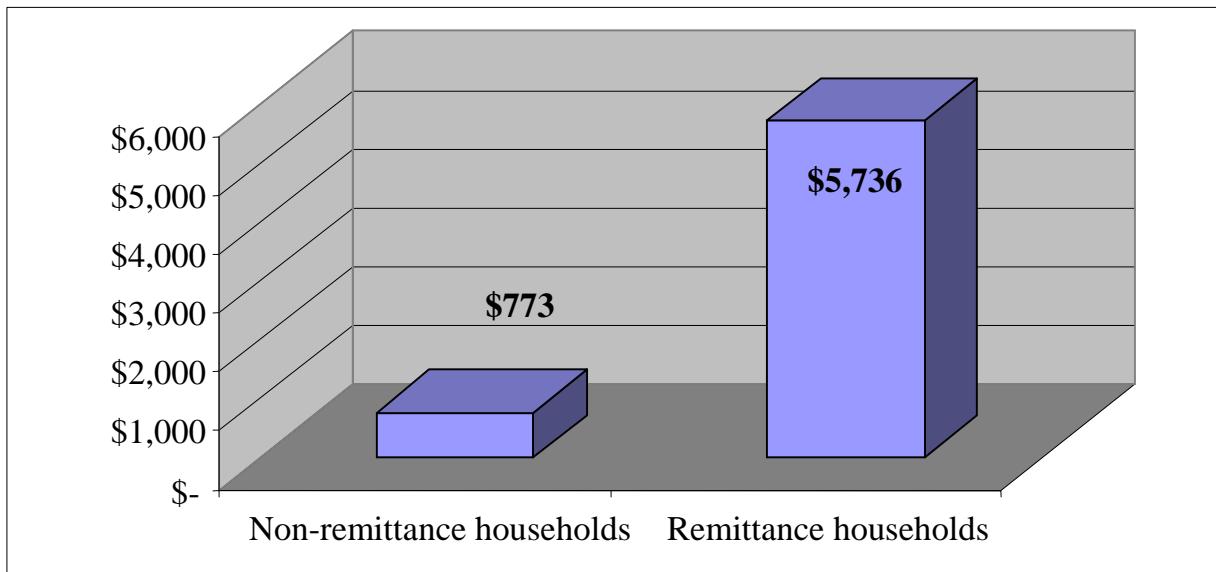
<sup>111</sup> This period runs from August 1997 to August 2007. A household is categorized as having made improvements if the household had spent any money at all on improvements during this decade. No improvements were cited by respondents that did not involve some spending.

circumstances over the last decade – not a single dollar's worth – as compared to about a quarter of remittance households.<sup>112</sup> Figure 20 shows the comparison.

**Figure 20: Percentage of households improving their housing circumstances over past decade**



**Figure 21: Housing spending comparison of households based on remittance status**



<sup>112</sup> This result shows a statistical significance of .002

The amount that households are able to spend shows even greater disparity (Fig. 21). Remittance households have spent an average of \$5,736 over the last ten years, as compared to \$773 on average for non-remittance households.<sup>113</sup> This represents a highly significant difference between these two groups.<sup>114</sup> Those who received remittances or had funded improvements through remittances have been able to spend more than *seven times* as much as those who have not had remittances as a source of income or funding.<sup>115</sup>

### 5.2.2 Improvement amounts and frequencies across income categories.

A look at the differences across income groups strengthens the supposition that remittance households have been generally better positioned to improve their housing than those without. It has been argued that remittances raise incomes and thus create additional resources that are frequently tapped to improve housing circumstances. This section reveals that this effect occurs across all income groups, albeit in differing proportions. The data on improvements across income categories data also reveals a set of confounding facts that hint at other reasons why remittance households may have been able to carry out improvements at a relatively greater scope and rate.

**Figure 22: Percentage of households improving housing across income categories**

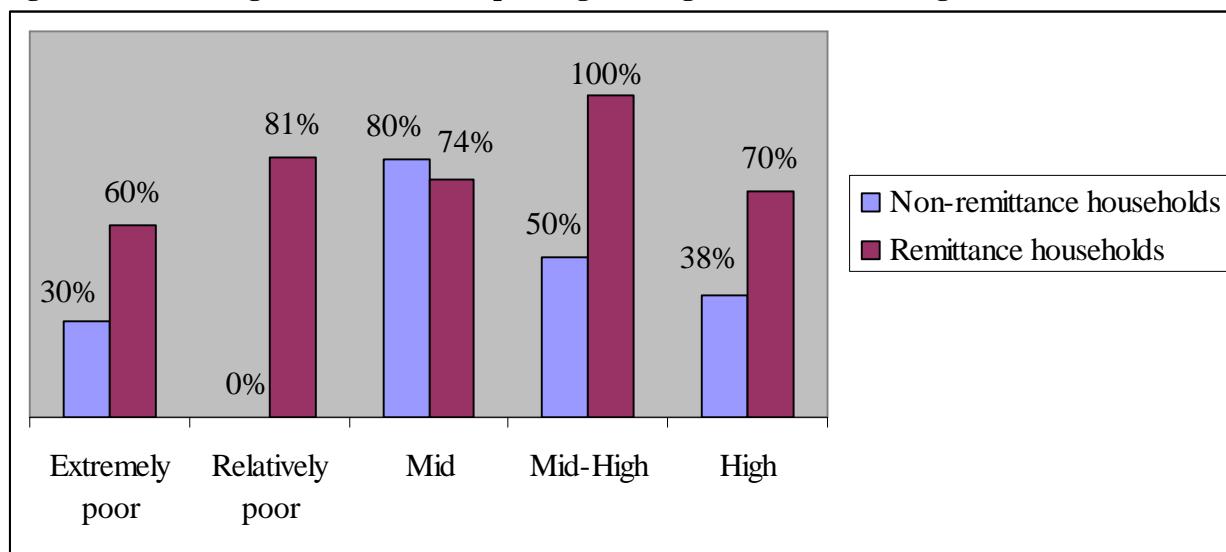


Figure 22 shows the frequency of improvements across income groups, with each income group divided by remittance receipt status. A higher proportion of remittance households made improvements in all but one group – mid income. Differences in improvement

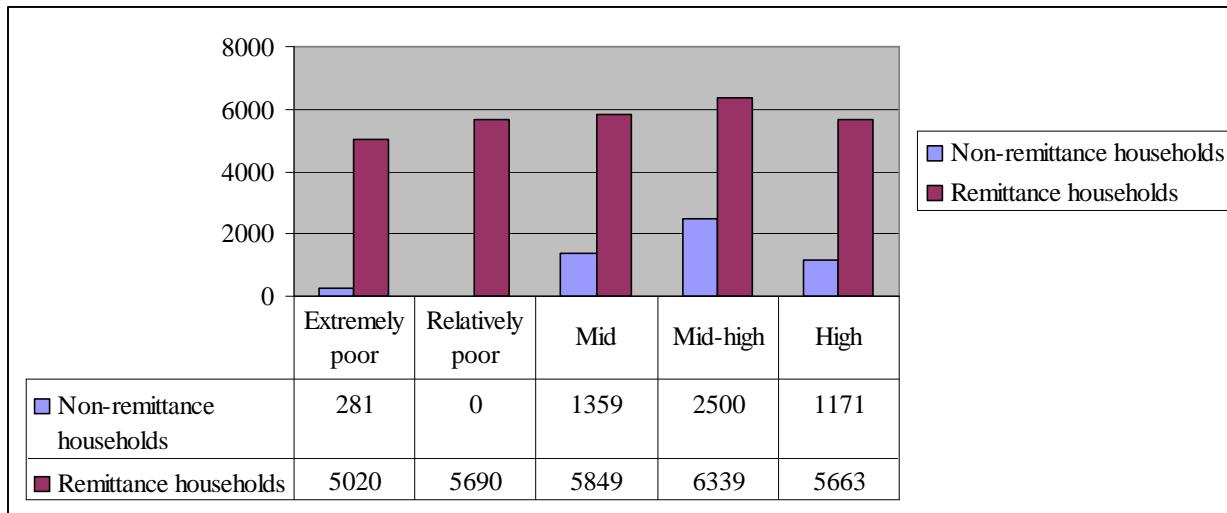
<sup>113</sup> As perspective, this difference amounts to more than two years of the average annual earnings of a rural day laborer.

<sup>114</sup> This difference in mean improvements amounts is statistically significant at a <.01 level (significance=.000)

<sup>115</sup> Households who receive remittances *currently* (excepting out those who have received remittances or have bought back to El Salvador money earned abroad) spent an average of more than three times as much as those without over the last ten years. Households with remittances have been able to spend \$5,684 and those without \$1,769, also a result that shows high statistical significance (.001).

frequency show strong statistical significance in the relatively poor category, where 81% of remittance households have improved their housing circumstances and non-remittance households have made no improvements at all.<sup>116</sup>

**Figure 23: Comparative spending of households across income categories**



If we look at the amounts spent across income groups and according to remittance receipt status, the trends become bolder (Fig. 23). In every income category, remittance households have spent more on housing than non-remittance households. The significant differences between groups are found at the bottom of the economic scale, where extremely poor and relatively poor remittance households are far outspending non-remittance households on housing. Remarkably, the other significant difference in housing spending occurs in the high income group.<sup>117</sup>

The gap is most extreme in the poorest categories. Extremely poor remittance households who supposedly have about the same income (less than \$1,152 annual) were able on average to spend *eighteen times* more on improvements than their counterparts without remittances: \$5,020 versus \$281 over the last ten years. In the relatively poor category, we cannot compare, since non-remittance households did not spend at all on housing improvements. The high category has remittance households spending more than four times as much as non-remittance households.

### 5.2.3 Relative proportion of housing spending across income categories

A look at the relationship between actual income and amount of housing spending tells us more about how spending is spread across income categories. For non-remittance households, there is a significant positive correlation between household income and the total

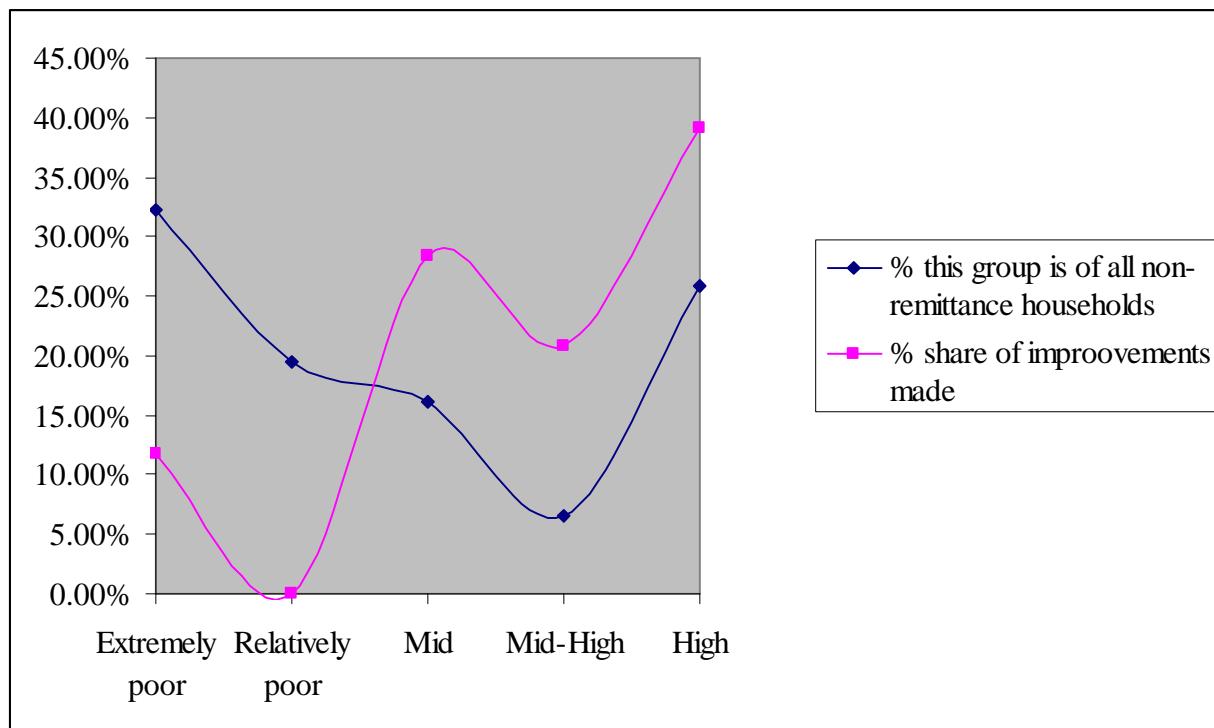
<sup>116</sup> These category is the only that displays a highly significant difference. ( $p=.001$ ) Other categories with large numerical differences are not statistically significant due to the small size of the non-remittance household sample.

<sup>117</sup> Differences were statistically significant at the .1 level for the extremely poor (.097), the relatively poor (.07), and the highest earning group (.051). The other differences were not statistically significant.

amount of improvements made over the last decade.<sup>118</sup> This supports the principle that housing spending tend to be limited in households with lower incomes, since the unavailability of capital can pose as an obstacle to making improvements. This positive correlation tells us generally that as the incomes of non-remittance households rise, so does their spending on housing.

The distribution of housing spending across income categories shows patterns that are in line with the abovementioned patterns. Figure 24 relates the proportion that each income category constitutes of the total number of non-remittance households with each category's proportional share of spending on housing. It shows that the extremely poor and relatively poor categories of non-remittance households have represented a small share of the housing funds spent in comparison to their share of the population of non-remittance households. Higher income groups, in turn, accounted for the largest proportion of spending on housing by non-remittance households. In short, those with limited resources have spent disproportionately less, and those with more resources have generally spent disproportionately more.

**Figure 24: Correlation between proportion of households in group and proportion of housing funds spent, non-remittance households**



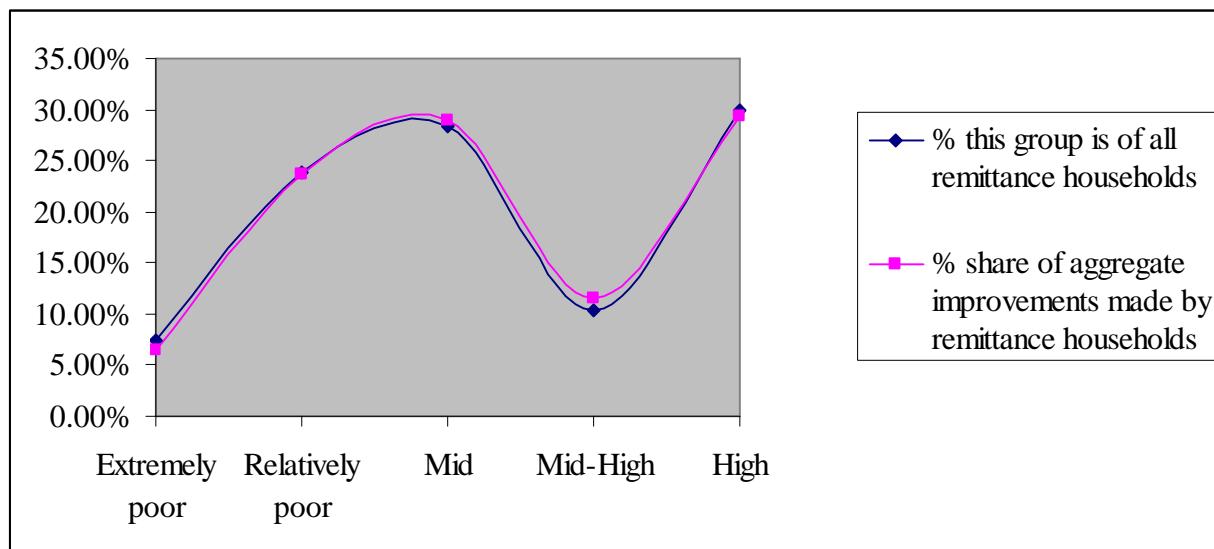
By contrast, no significant correlation exists between the income of remittance households and the amount that they have spent to improve their housing.<sup>119</sup> Remittance households across all income groups are improving their housing, and the amount that they are spending does not show significant differences between income categories. As we can see in Figure

<sup>118</sup> Pearson's correlation is .391, showing a two-tailed significance of .03.

<sup>119</sup> Pearson's correlation is -.003, with a two-tailed significance of .979.

25, aggregate spending is very proportionally spread across all income groups of remittance households. This is remarkable, since it suggests that when households have remittances, they are equally well-positioned to improve their housing regardless of income.

**Figure 25: Correlation between proportion of households in group and proportion of housing funds spent, remittance households**



The calculation of a simple ratio of spending equality best describes contrasting patterns in housing spending distribution based on remittance status. The ratio is calculated as follows:

<sup>120</sup>

**% that income category represents of all housing spending in group**

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**% that income category represents of all households in group**

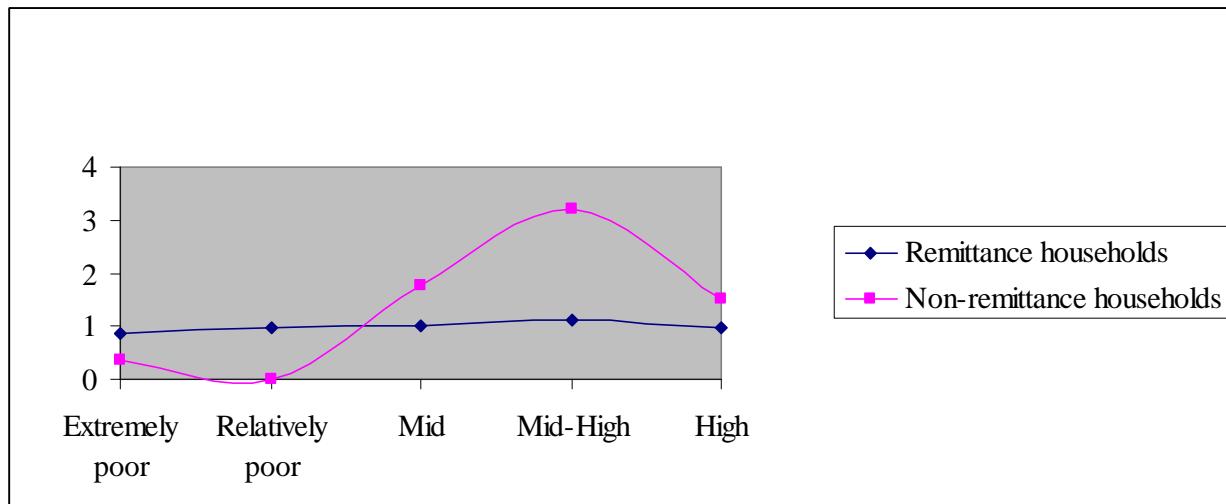
A lower score indicates that a category has spent disproportionately less than its size, and a higher score that it has spent disproportionately more than its size. A score of 1 indicates that the category's spending is in proportion to its size.

Figure 26 emphasizes the stark contrasts in the equality of spending index between non-remittance and remittance households. In non-remittance households, the poorest categories spend disproportionately less. The three highest income categories – led by the mid-high category – spend disproportionately more.

In remittance households, proportions of spending across all categories are relatively equal. This suggests that remittances are having an equalizing effect on housing spending across all income categories.

<sup>120</sup> “Group” refers to remittance and non-remittance groups.

**Figure 26: Comparison of ratio of housing spending equality**



#### 5.2.4 Possible explanations for the distribution of spending amounts

The first aspect of this data that is surprising is the high amount that is being spent by remittance households in relationship to non-remittance households in the same income group. To a certain extent, it would be reasonable to anticipate that within income groups remittances would not have a very differential effect, since the households have about the same average income – an income that already incorporates remittances. We are, however,

seeing large difference in spending *within* income groups. The second surprising aspect is that there is no correlation between income and the amount spent on improvements by remittance households, as opposed to a significant correlation for non-remittance households.

Two potential explanations come to mind when looking at this pattern.<sup>121</sup> First, many households receive periodic, one-time assistance from family members abroad for a variety of purposes. (As apparent one-time transfers, these were not added into income data.) When we add these sporadic remittances to the annual income of households, the mean incomes of three of the five income categories shift into the next higher income category. For relatively poor households, for example, this source would add 26% to the base mean income, and bump the mean income into the mid-income category.

These sporadic remittances could be increasing some households' capacity to improve their housing circumstances. In general, though, they do not serve to explain patterns of differential spending within the same income category. Even if sporadic remittances pushed

<sup>121</sup> One possible explanation also relates to the ability of households to save. The data has told us that remittances may be pushing households into higher income groups. It is possible that households are consuming at the same rate that they did previously, but now enjoy a higher income, thus freeing up resources for housing. This is unlikely, though, since mean expenses are significantly higher for remittance-receiving households in all but the case of the mid-income group. Another possibility is that households are underreporting the amount of remittances that they receive. This is impossible to verify, of course, and also does not serve to explain spikes in spending patterns of certain income groups.

households into the next category, they would *still* be spending higher amounts than non-remittance households in that higher bracket. Neither does it explain relatively equal housing spending among remittance households, since higher levels of sporadic remittances are actually received by higher income remittance households.

The other explanation is perhaps the most plausible in shedding light on the spending differential within income groups. It is hinted at by data regarding how households have funded their housing improvements. After describing the type and amounts of improvements that they had made over the last decade, households were asked to define what the source of funding was.<sup>122</sup> As described previously, in the case of 32% of remittance households a migrant sent remittances to directly fund the improvements

This data serves as a possible explanation for why remittance-receiving respondents have been able to make improvements or construct new at a rate and scope much greater than households who have the same income. It also may help explain why there is no correlation between the income of remittance households and the amount that they have spent on housing improvements and construction. Remittances sent directly to fund housing improvements may be providing an infusion of capital that is not included in normally recorded remittances flows, thus escaping notice in the household income. It is especially helpful in understanding how the poorest segments of the sample may have been able to spend in line with other income categories despite showing low incomes.

More broadly, this could also potentially be a reason why many official tallies of remittance spending show housing as an almost non-existent use. If remittances are being sent to directly fund housing improvement, it is possible that they are not showing up on the radar screen as part of household income, but represent a distinctive flow that is positively impacting the family's quality of life in a manner out of sync with income group trends.

### 5.3 Land purchase impacts

Remittance households were more likely to purchase land for housing than non-remittance households. Thirteen percent of non-remittance households were able to make purchases of land for housing, as compared to 31% of remittance households.<sup>123 124</sup>

Households had purchased a total of \$286,109 in land over the last decade, and 41% of these purchases representing 29 transactions were for housing purposes. Twenty five of these 29

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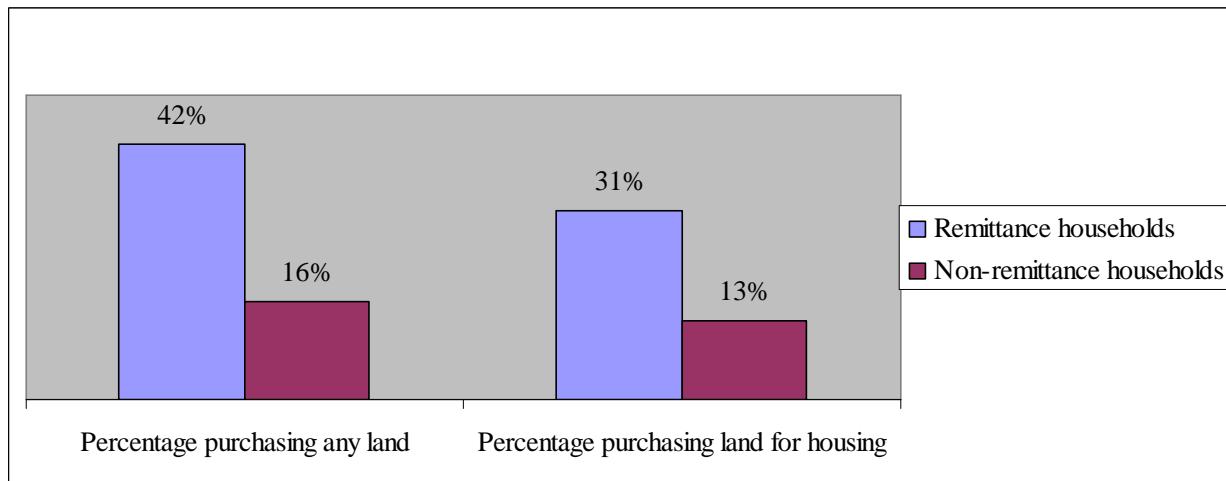
<sup>122</sup> These categories – recoded to include the wide range of responses – were: regular household income, additional remittances, savings, bank loan, funds from visitor from abroad, sales of assets, animals, or land, regular household income plus savings, remittances plus financial assistance from others in El Salvador, savings from migrant's time abroad, regular household income and assistance from others in El Salvador, savings entirely from remittances, remittances and other mixed sources, regular household income plus savings from remittances, and other.

<sup>123</sup> This difference was statistically significant at a .1 level (p=.051).

<sup>124</sup> Within non-remittance households, purchases were all made by households in the highest three income groups, while remittance households showed somewhat more of a spread, with the relatively poor category representing 14% of households that purchased land. No extremely poor households in either category had purchased land. These differences were not statistically significant.

purchases of land for housing were made by remittance households, and four by non-remittance households. Twenty remittance households made land purchases related to housing over the last

**Figure 27: Percentage of households that purchased land**



ten years, with five of these households having made two purchases – a total of \$117,943 in land purchased for housing.<sup>125</sup>

These land purchases have made it possible for households to build new and expand their homes, and in some cases may create a future opportunity to improve the housing circumstances of the household. In six cases of land was purchased to build the household's current dwelling and has had an immediate impact; they have provided the input of land that made it possible for the household to build a new home. The same effect was enabled through the purchase of the three plots to expand the home. Fourteen purchases of land for a future dwelling may eventually provide the input of land for a migrant member or other member of the household to construct a home in the future. Annex 6 contains a full breakdown and types and average amounts of land purchases.

As indicated in Chapter Four, the large majority of these purchases were made by family members (mostly the head of the respondent household) on behalf of a migrant member of the household living abroad. Coupled with respondents' anecdotal accounts of the land purchase process, this suggests that migrants in some cases were sending the money directly to the purchaser to acquire the land on the migrant's behalf. This may help to explain why remittance households are more likely to purchase land than non-remittance households. Two local businessmen who sell lots in San Jerónimo proper estimated that they sell 80% of their lots to migrants living abroad who fund these purchases directly and use a family member as an intermediary for the purchase.<sup>126</sup>

<sup>125</sup> In six of the 25 cases the respondent did not know the price of the land or house.

<sup>126</sup> One of these businessmen said that in the late '80's he offered a payment plan to purchase lots by paying over the course of four years. While half of buyers used to prefer this option, he estimated, today 80-90% of the purchases (mostly by migrants) are in cash, even though land prices have risen sharply in the last two decades.

## 5.4 New houses

The new homes constructed in the San Jerónimo area are the most noticeable phenomenon distinguishing remittance households from non-remittance households. They constitute a large share of the funds that households spend on housing across the entire sample. These new homes are changing the face of the housing stock in this rural area.

Twenty-four percent of all households surveyed had built a new home. The proportion of households that were able to do so between groups shows a significant difference; ten percent of non-remittance households were able to build a new home, as compared to 30% of remittance households.<sup>127</sup>

New houses represent 54% of the funds spent on housing by the entire sample. For non-remittance households, they represented 37% of all funds spent on housing. For remittance households, they amounted to a 55% majority of the funds spent on housing.

All households spent an average of \$10,065 per household on the construction of the new home.<sup>128</sup> Remittance households spent an average of \$10,631 per household on new construction, with costs ranging from \$3,000 to \$30,000.<sup>129</sup>

New houses – whether built by remittance or non-remittance households – had basically the same general characteristics from a physical point of view. This section will concentrate on the characteristics of new houses built by remittance households. New houses exhibit distinctive characteristics from existing houses in both the remittance and non-remittance groups, as shown in Figure GG.

- These houses are more likely to be made of more expensive brick, and no houses have been constructed entirely in the traditional adobe.
- The roof in 67% of new houses is of more expensive premium materials.<sup>130</sup>
- The great majority of the floors – 78 percent – are made of the two more expensive classes of materials found in the sample, cement tile and ceramic. Fifty-seven percent of floors are cement tile, and 19% are ceramic.

Households that build new houses – most of them remittance households – are reshaping the face of housing in the San Jerónimo area.<sup>131</sup> When households built new, the large majority built in brick, installed ceramic or cement tile, and used a roof made of synthetic materials much more

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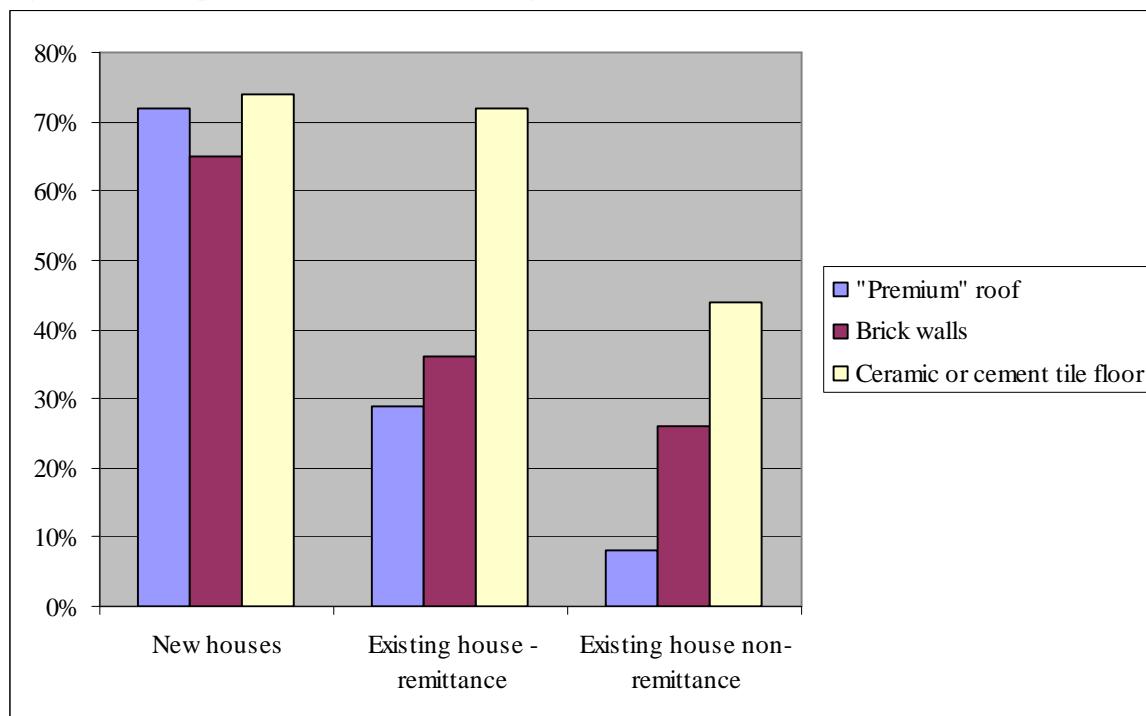
<sup>127</sup> This result was significant at .028. p<0.05

<sup>128</sup> Two households – one in each category – did not know the cost of new construction.

<sup>129</sup> Non-remittance households spent an average of \$4,420, with costs of \$3,839 and \$5,000. Other than price, there are no statistical differences between remittance and non-remittance households. They will thus be described as a single group.

<sup>130</sup> As described earlier, these are classified as the more expensive composite materials of Duralite, Duralon, and Zincalum.

**Figure 28: Comparison of new and existing houses**



than a traditional clay tile roof. No new homes employed the use of adobe. This suggests that households are increasingly turning to materials that must be bought elsewhere – such as bricks, premium roofs, and higher grade flooring. These trends indicate that San Jerónimo looks a great deal different than it did only 30 years ago, when nearly all houses are said to have been built of adobe or bahareque.<sup>132</sup>

On a different note, there is a category of homes that are not captured in this sample of households surveyed, but may represent an important facet of the impact of remittances on housing in the San Jerónimo area. These are houses that stand unoccupied and are said to be owned by someone who lives abroad. Sixty four percent of these homes that stand empty have been constructed in the last decade, making it possible that the number of new migrant-funded homes would be larger if they were included in the sample. The potential implications of and explanations for this phenomenon are discussed in Annex 5.

<sup>131</sup> It should be emphasized that this study is not endorsing one material as higher quality than another, but only showing how patterns of change are manifesting themselves between remittance and non-remittance households and new and existing homes.

<sup>132</sup> A veteran mason actively working since the 1970's estimated that the town was half adobe and half bahareque construction thirty years ago.

**Image 7: Examples of new houses**



New houses made up more than half of the spending by remittance households, with houses costing from \$3,000 to \$30,000. Some houses used features some called “American style,” including kitchen cabinetry and sliding closet doors. Some houses were based in part on plans inspired by houses abroad.

## 5.5 Comparison of housing qualities and impacts of housing expenditures

### 5.5.1 Introduction

First, this section compares major aspects of their dwellings of the two groups to illustrate the impact that remittances have had. These aspects include roof, walls, floor, and the type of sanitary and drinking water facilities. Incorporated into these descriptions are data on how many households have made improvements to the major elements of their homes and how the materials used for improvements differ between groups. The chapter then shares findings on how many households have built new homes over the last decade and how the materials that are used in new homes are changing the face of housing in the San Jerónimo area. The last section describes the work that households have done to expand their homes by adding on rooms, bathrooms, and other additions.

## 5.5.2 Type of roof and changes to roof

*Roof types* - Across the entire population, the most obvious difference between households' roofs is that remittance households are three times as likely to have a roof made of premium materials.<sup>133</sup> This means that remittance households are significantly more likely at some point to have either installed an original roof or replaced their roof with more expensive roofing materials.<sup>134</sup> (See Annex 7 for more detail).

The traditional roofing material is clay or terra cotta tiles (*tejas*), a material that is used by a larger proportion of non-remittance households.<sup>135</sup> The fact that less remittance households have tile roofs and more have premium roofs could mean that they are trading in tile roofs for premium roofing materials. Changes in roof types provide evidence for this interpretation.

*Changes in roof types* – Nineteen percent of households installed a new roof over the course of the last decade. Twenty-five percent of remittance households installed a new roof, as compared to 7% of non-remittance households. This represents a significant difference between groups.<sup>136</sup> Remittance households continued to use tile roofs. Thirty-three percent of remittance households that replaced their roof (9% of all remittance households) replaced an old tile roof with a new tile roof. Remittance households changed their roofs from a tile roof to a premium roof in 33% of cases.<sup>137</sup>

## 5.5.3 Types of floor and changes to floor

*Floor types* –

Remittance status has a significant impact on the type of floor in a household when floor types are grouped into substandard, standard, and premium.<sup>138</sup>

When we look at the detailed breakdown, the proportions of flooring types across the entire population seem to follow a basic pattern: remittance households across the board have higher proportions of floors made of more expensive materials (ceramic tile and, less expensive, cement tile) and non-remittance households had higher proportions of floors made of less expensive materials.<sup>139</sup> In discussions with households, many mentioned ceramic tile as the symbol of a migrant house. Nine percent of remittance households had ceramic floors, versus 3% of non-remittance households. If the ceramic floor is the symbol of migrant success, then a dirt floor

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<sup>133</sup> Significant difference when recoded into premium and non-premium materials,  $p=.009$ . Premium roofing materials include Duralite, Duralon, and Zincalum, all composite synthetic roofing materials that cost more than typical ceramic or concrete tiles.

<sup>134</sup> This result was significant at a .05 level ( $p=.009$ )

<sup>135</sup> The condition of the roofing material was not assessed in the survey, so it is very possible that the quality and age of roofs varies greatly from household to household.

<sup>136</sup> This result is statistically significant at .028.

<sup>137</sup> Of the two non-remittance households who installed a new roof, one replaced a tile roof with the same material, and the other changed from a tile roof to a slightly more expensive cement tile roof.

<sup>138</sup> Significant at .5 level ( $p=.045$ ). Excluding other and “mixed” floor type responses, responses were grouped into substandard (dirt floor), standard (concrete tile or concrete) and premium (ceramic). If concrete tiles are placed in the premium category, significance is greater ( $p=.020$ ).

<sup>139</sup> When recoded into three classes of floor type ( $p=.058$ ) significant at the .1 level.

**Image 8: Roof comparison**



**Example of an older clay tile roof (top) and a new “premium” roof (bottom)**

might be seen as a symbol of Salvadoran poverty, according to respondents.<sup>140</sup> Sixteen percent of non-remittance households had dirt floors, as compared to 3% of remittance households.

*Changes in floor types –*

When households who had not been able to improve their homes talked about what they most wanted to change, the type of floor figured as one of their first wishes – especially for those with a dirt floor. The data shows that a large percentage of remittance households have achieved this goal over the past decade.

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<sup>140</sup> One respondent – who himself had a dirt floor – echoed the views of many that a dirt floor was unsanitary and undesirable, saying disparagingly that it was a floor “only fit for rabbits, not humans.”

Twenty-two percent of all households have installed a new floor over the last decade. Twenty-seven percent of remittance households have installed a new floor, as compared to 10% of non-remittance households – a significant difference.<sup>141</sup> <sup>142</sup> When new houses are included in the number of homes that have made improvements, the percentages of households that have made improvements to the floor increases in both groups.<sup>143</sup> In the case of non-remittance households, this increases from 10% to 19%. In remittance households, the proportion more than doubles, going from 27% to 54% of households.

Most remarkably, 65% of remittance households who installed a floor originally had a dirt floor and replaced it with a floor made of permanent materials.<sup>144</sup> This finding shows that nearly two-thirds of remittance households who installed a new floor – and 16% of all remittance households – eliminated a major qualitative housing deficiency by carrying out this improvement.<sup>145</sup> Only a single non-remittance household replaced a dirt floor (3% of all non-remittance households).<sup>146</sup>

#### 5.5.4 Type of walls and changes to walls

Brick is the most expensive wall material that was found in San Jerónimo.<sup>147</sup> The most traditional material, it could be said, is adobe.<sup>148</sup> A limited number of households had a mix of found materials for their walls. Remittance households are more likely than non-remittance households to have walls made of more expensive materials like brick, though both still use the traditional adobe.<sup>149</sup> <sup>150</sup>

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<sup>141</sup> This difference is statistically significant at the .1 level ( $p=.054$ )

<sup>142</sup> Remittance households showed a pattern of upgrading from one permanent material to another, more expensive material in 35% of cases where floors were installed. In 24% of cases the household upgraded from cement or cement tile to ceramic, and in the remaining cases from cement to cement tile. This means that 9% of all remittance households upgraded to a more costly floor material, as compared to 6% of non-remittance households.

<sup>143</sup> New houses were not recorded as having replaced their floor per se, but installed new floors as part of new construction. If we include add these cases to those that replaced their floors, the difference in rate of replacement between groups is significant at .01 level ( $p=.001$ ).

<sup>144</sup> More than three-quarters of these households installed a cement tile floor, and the rest installed a cement floor.

<sup>145</sup> A dirt floor is one of the substandard conditions factored into the Salvadoran government's definition of the qualitative housing deficit. It is possible that this proportion of dirt-floor replacement would be even larger if we knew what type of floor households had before building a new house.

<sup>146</sup> This difference is significant at .1 level ( $p=.064$ ).

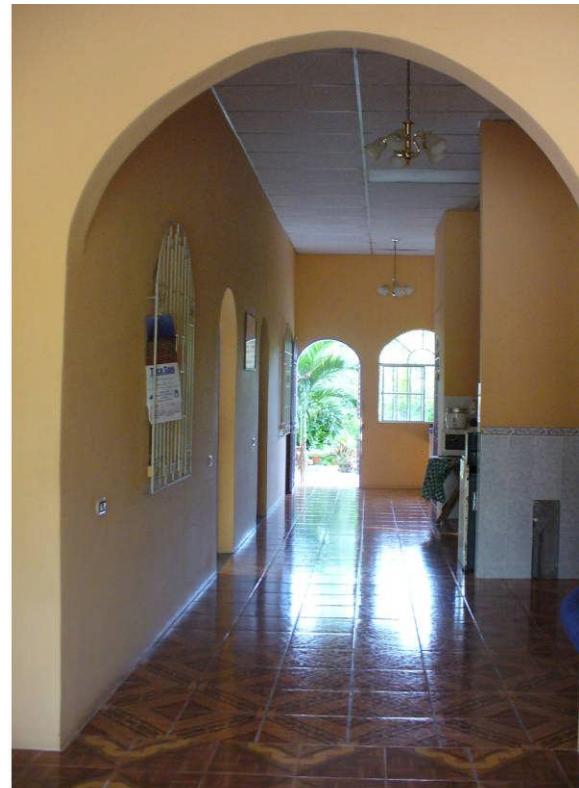
<sup>147</sup> Various ornamental materials were also used to adorn exterior walls, such as stone bases, ceramic tiles, or pebbles. The survey did not collect information on such modifications.

<sup>148</sup> The latter material was used in only one case as a new construction material in the last ten years among sampled households. Nevertheless, many households expressed their preference for adobe, as reflected in data that a smaller proportion of households had changed from adobe to other material types than had changed, for instance, from a tile to a premium roof. This lower tendency toward change, however, may have a great deal to do with the fact that it is much easier to replace a roof than to replace walls.

<sup>149</sup> When walls were recoded into two categories of brick and non-brick, impact of remittance status on wall type showed a .077 significance, significant at the .1 level.

<sup>150</sup> Non-remittance households are more likely (52%) to have walls made of adobe than remittance households (32%), but this difference is not statistically significant. The lesser percentage of adobe houses among remittance households has to do with the higher percentage of these households that have constructed a new home out of brick, a phenomenon that will soon be discussed.

**Image 9: Floor comparison**



Different floor types, clockwise from top left: dirt floor, ceramic floor, ceramic floor on a staircase, and concrete tile floor. The houses in the photos on the left are located about 100 meters away from each other.

**Image 10: Wall type variations**



This photo gives a contrasting sense of some of the variety of wall types that can be found in the San Jerónimo area. Types 1-3 are all found in a single house.

#### *Changes in wall materials*

When we do not count new homes, the changes in wall materials showed the most parity between remittance and non-remittance households. Thirteen percent of all non-remittance households changed their wall type, as compared to 21% of all remittance households.<sup>151</sup> The most common change was from adobe or bahareque to brick. Of remittance households, 7% changed from adobe to brick, as compared to 3% of non-remittance households. The largest number of households changed their walls by stuccoing the exterior, constituting 13% of remittance households and 3% of non-remittance households.

If new houses are included in the number of homes that have made improvements to the walls, the difference in improvements becomes significant. In the case of non-remittance households, the proportion increases from 13% to 23%. In remittance households the proportion goes from 21% to 49% of households.<sup>152</sup> When we include new homes, then, nearly half of remittance households have been able to make improvements to the walls of their homes, significantly more than non-remittance households.<sup>153</sup>

<sup>151</sup> Within those who have made changes to their walls, the differences in materials are not significant.

<sup>152</sup> Three of the remittance households that built new homes were not added to the base number, since they were already counted there as having made improvements to roof, walls, and floor previous to the new construction.

<sup>153</sup> The difference between groups in proportion of households that have improved the walls (including new construction) is significant at .05 level ( $p=.012$ ).

**Image 11: Wall comparison**



**Clockwise from top left:** adobe wall with new stucco and tiles; wall made of mixed found materials; new brick walls; adobe brick walls. Houses on right side are located on the same street.

### 5.5.5 Water and sanitary services

Remittance status had a significant impact on the type of sanitary facilities that households have.<sup>154</sup> When the responses were separated into those with and without flushable toilets, there was a significant difference in the amount of remittance households with a flushable toilet; fifty-five percent of remittance households had a flushable toilet, as compared to 37% of non-remittance households.<sup>155 156</sup>

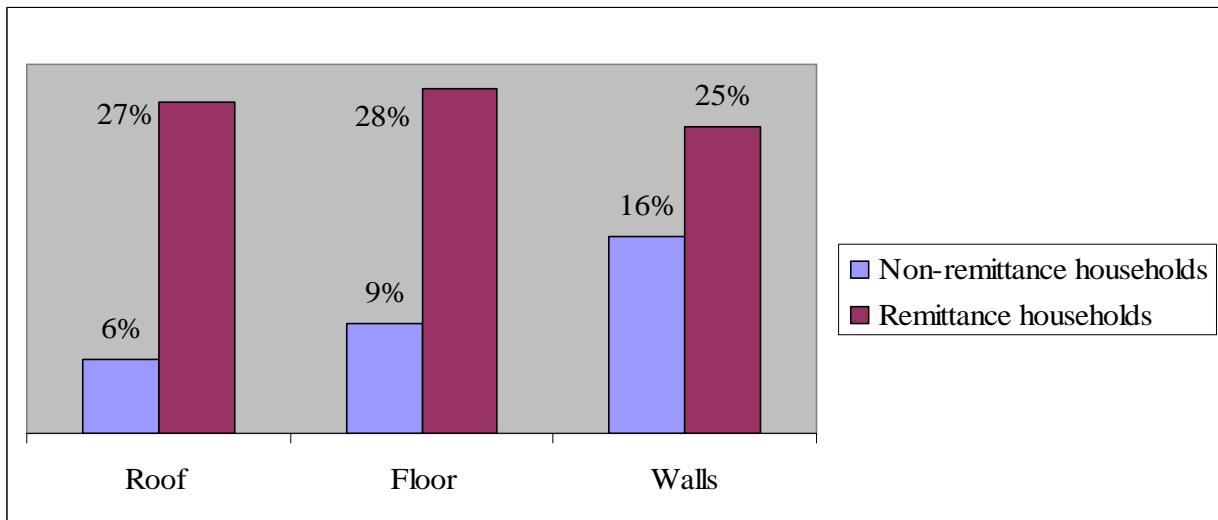
<sup>154</sup> Significant at .05 level, p=.037.

<sup>155</sup> When households were separated into those with a flushable toilet and those with other facilities, the difference (p=.091) was significant at a .1 level.

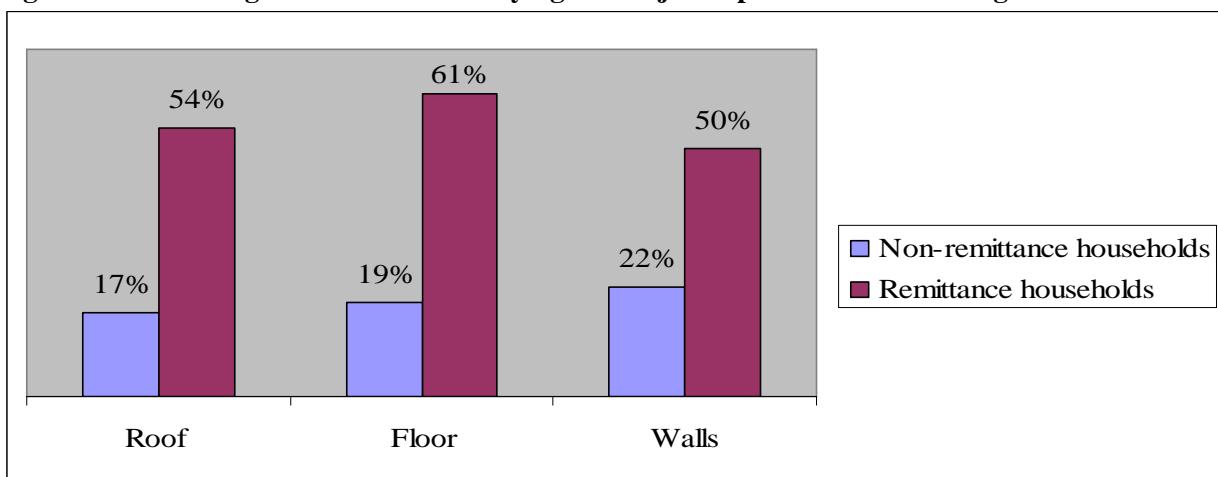
<sup>156</sup> In 8% of remittance households a bathroom had not been built (not yet, pointed out most respondents). Sixteen percent of non remittance households did not have any facilities at all, as compared to 4% of remittance households. The fact that 13% of all households do not have any sanitary facilities points to a qualitative housing deficiency in this area. Longitudinal data could give us a better picture of whether remittances have had an impact in eliminating sanitary facility deficiency for remittance households by providing data on what facilities remittance households had prior to carrying out improvements.

Comparisons of where households get their drinking water revealed moderately significant differences between groups.<sup>157</sup> The impact of remittance status on drinking water source does not show a significant difference. Responses were then separated into those who have access to water in their home (those with domestic piping or bottled water) and those who must go outside their home to get potable water (a well, in other town, from a cistern, et al.). Remittance households then showed a significantly higher likelihood of having water available in the home – 58% as compared to 37% in non-remittance households.<sup>158</sup>

**Figure 29: Percentage of households carrying out major improvements excluding new houses**



**Figure 30: Percentage of households carrying out major improvements including new houses**



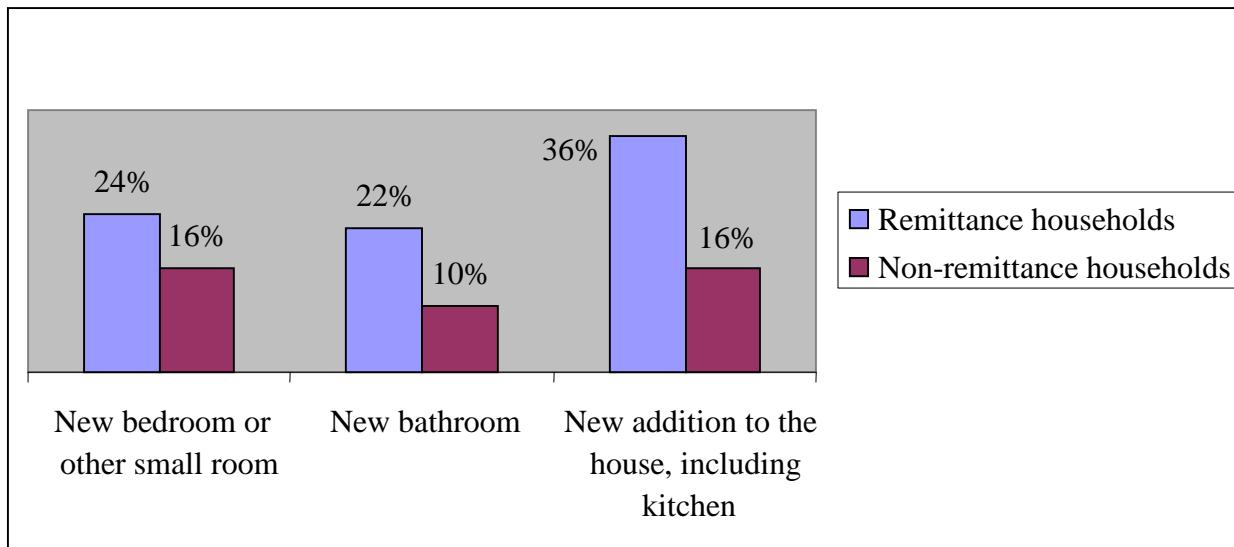
<sup>157</sup> This and other measures of drinking water are influenced by infrastructure conditions in the three different areas where the survey was conducted. The El Puntito section, for instance, does not have potable piped water, so all residents must get potable water from elsewhere. Some households in this area, had, however, created their own piping system to bring water from a well located at a distance. These households were not part of the sample, but said that they paid for the construction of this piping system from remittances sent from migrants abroad.

<sup>158</sup> Result was significant at .1 level ( $p=.050$ ). “Other” responses were excluded from the cross-tabulation.

## 5.5.6 Home additions

Remittance households were also more likely to make additions to their homes or to add new rooms, such as a bedroom, a bathroom, or a kitchen. Significant differences were seen only in additions to the house, however.<sup>159</sup> This is the category where the most money was spent, probably because it included kitchens. Figure 32 shows breakdowns of additions work, and Image 12 details of kitchen additions.

**Figure 31: Comparison of home additions**



## 5.5.7 The impact of remittances on housing quality

The aforementioned data gives us a clear picture of how remittances are affecting the two groups, but makes it difficult to see how remittances are impacting families' living conditions differentially across income groups. A basic housing quality index was calculated in order to compare the housing conditions of remittance and non-remittance groups in a slightly different way that allows a more detailed look at patterns of improvement and what they may tell us about the impact of remittances. The index was calculated by assigning differential scores to different types of roof, walls, floor, and sanitary facilities.<sup>160</sup>

Previous findings have shown that non-remittance households' income bears a correlation to the amount of improvements that they made over the last decade. Likewise, non-remittance households showed a significant correlation between household income and the housing quality

<sup>159</sup> This impact was significant at a .05 level (0.047).

<sup>160</sup> The index was based on scoring of four categories: flooring, roofing, walls, and sanitary facilities. Floors: Dirt floors received a score of -1, cement tile +.5, and ceramic tile +1, all else was scored 0. With roofs, premium roofs scored +1, and all else 0. Walls were scored 1 for brick +.5 for stucco walls, all else was scored 0. Sanitary conditions were scored -1 for lack of sanitary facilities, 0 for all else. Scoring was done in accordance with results of national surveys that indicate differing qualities of finishes as incomes rise. Substandard measures are based on definitions of substandard housing used to determine the Salvadoran qualitative housing deficit. This index exhibits a highly significant correlation (.000) with the amount of improvements made by households over the past decade, lending weight to its use as an instrument for measuring housing quality.

**Image 12: Kitchen types**



**Kitchen renovations (right side) were popular amongst remittance households, often including new “American-style” appliances, as some respondents called them. This contrasted with the traditional Salvadoran kitchen where wood would primarily be used for cooking. Many households continued, however, to cook with wood.**

index. This tells us that it is not only the amount of housing improvements that a household has done that correlates with income, it is also the actual quality of the dwelling that correlates with income. Not surprisingly, this correlation tells us that houses with more income generally live in better conditions.<sup>161</sup> In contrast, remittance households show no significant correlation between household income and the housing quality index. This agrees with earlier findings that remittance households’ incomes do not bear a relationship to the dollar amount of improvements that they have made; they have spent roughly similar amounts on housing improvements across all income groups.

In general, non-remittance and remittance groups show a highly significant difference in their scores on the housing quality index.<sup>162</sup> This corroborates earlier findings that the homes of

<sup>161</sup> It is also not surprising to see that poor non-remittance households are the only income group (of the entire sample) that exhibits a substandard housing quality index. This strengthens the supposition that many poor families live in poor housing conditions. The fact that they have not made improvements suggests that limited income translates into a limited capacity for housing improvements, as already argued.

<sup>162</sup> A comparison of means shows a significance of .001.

**Image 13: Unrenovated and renovated home comparison**

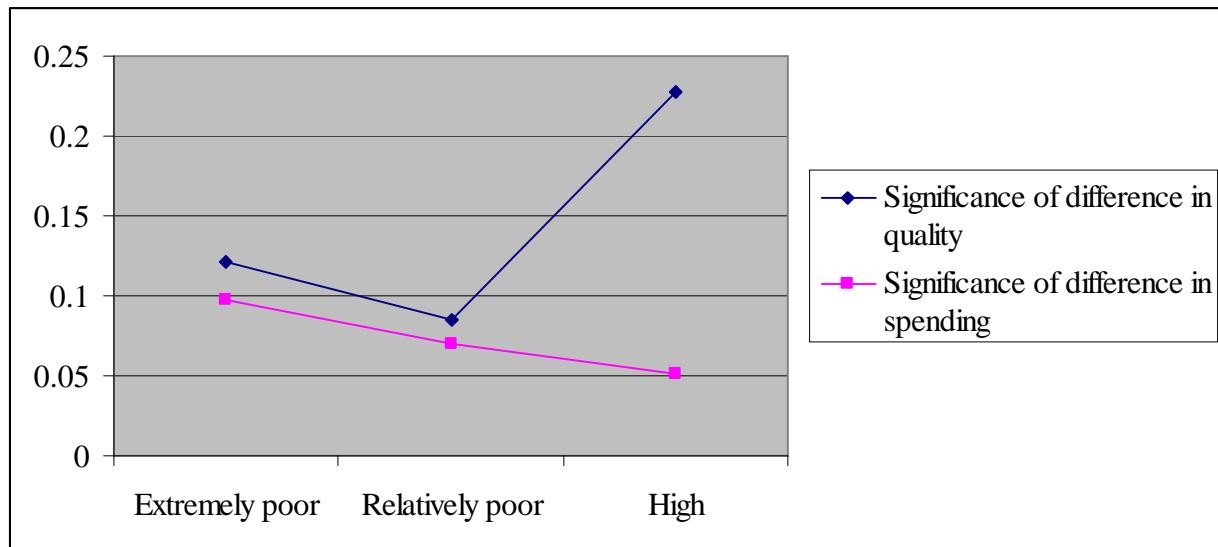


**Comparison of unrenovated and renovated houses of a similar type on the same street. Both are adobe construction, but the house below has stuccoed, painted, and replaced the roof, floor, windows, and doors.**

remittance households generally feature more premium materials and less substandard housing traits, a difference that owes in large part to the new homes that are being built by remittance households.

Interestingly, differences in housing quality between remittance and non-remittance households show wide variation across income categories and are significant – and moderately so – in only the relatively poor category.<sup>163</sup> Figure 33 shows how the significance of difference in spending compares to the significance of differences in quality. In the relatively poor group, remittance households have spent significantly more on housing improvements and live in significantly better conditions. This suggests that remittance households were once in about the same place as their non-remittance counterparts in this income category – and that their housing expenditures allowed them to achieve a significant change in their living conditions. Although the difference in housing quality for extremely poor households is not at a significant level, these two measures follow a similar pattern.

**Figure 32: Significance of differences in mean housing quality index and mean amount of improvements made across income categories**



Data on remittance households and their housing conditions before and after improvements shows specifically how some remittance households' expenditures on housing are elevating them from a substandard housing level to a level equivalent to higher income non-remittance households. Comparisons of the mean housing quality index before and after improvements shows a highly significant improvement in housing conditions.<sup>164</sup> Before carrying out said improvements, the mean housing quality index of these households was substandard, at an average that falls between the mean scores of extremely low and relatively poor *non-remittance*

<sup>163</sup> The biggest differences in quality are seen in the extremely poor and relatively poor groups, where remittance households have a higher quality of housing according to the index. The difference is not at all significant in the mid-income category. The smallest difference in quality – statistically negligible – is in the middle income group. The difference in quality grows slightly more in the two upper income groups.

<sup>164</sup> A paired sample T-test exhibited a two-tailed significance of .000. An equivalent test performed on non-remittance households showed an insignificant before and after difference (.381).

households. After carrying out improvements, their mean score slightly exceeds the mean level of housing quality for the top three non-remittance income groups. In short, a number of the poorest remittance households have been able to transform their housing conditions over the course of the last decade from a substandard level to a level exceeding that of the average of higher income households.<sup>165</sup> Their counterparts in the poorest categories without remittances have remained at substandard levels, a difference that suggests that remittances play a role in this change in housing quality.

Remarkably, remittance households in the highest income group showed the most significant difference in spending from non-remittance households, but show no significant difference in housing quality. In some cases this may indicate that the spending of remittance households in the highest income category has allowed them to “catch up” with non-remittance households already at above-average housing conditions. This finding suggests that remittances are not only equalizing spending amongst remittance households themselves, but may also be enabling remittance households in this highest income group to reach a level of basic housing quality equivalent to their higher income non-remittance counterparts.<sup>166 167</sup>

## 5.6 Estimate of remittances used for housing purposes

Basic estimates give us a sense of the percentage of remittances that might have been used for housing purposes over the past ten years.<sup>168</sup> Using long-term remittance estimates based on current figures, the actual amount of funds spent on housing would represent 24.5% of the gross amount of remittances received over the past decade.<sup>169</sup> This far exceeds the .27% of uses found in the 2005 Salvadoran national Multi-purpose Household Survey.

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<sup>165</sup> Prior housing conditions were collected for 22 remittance households that made improvements to the roof, floor, or walls. Anecdotal evidence indicates that remittance households who have built new homes may have made similar leaps in housing quality.

<sup>166</sup> This may serve to explain as well why remittance households are spending significantly higher amounts in the highest income group – both because non-remittance households already live in relatively good housing conditions, and remittance households have needed to spend more to match those conditions.

<sup>167</sup> It is possible that remittance households are in some cases *equalizing* the housing quality of higher income non-remittance households. Since the housing quality index does not measure every aspect of the housing, however, we cannot be sure of this. For instance, higher income non-remittance households could have installed more expensive finishes that are not included in the housing quality index, such as more expensive doors or windows. Nevertheless, the fact that there is no significant difference in basic aspects of housing quality between households that spent significantly different amounts does suggest that remittance households have been able to reach a level of basic quality already achieved by the average high-income non-remittance household.

<sup>168</sup> This year’s figures for remittances are used as the basis for extrapolating remittances over the last decade. To include all possible sources of remittances funding, sporadic remittances have also been added to the 10 year remittances estimate. The expenditures of remittance-influenced households – those who do not presently receive remittances – were not included, since their lack of current remittances give us no basis for understanding how remittances compare to improvements. Confirmed remittances that directly funded improvements were subtracted from the amount of improvements made over the last decade by remittance households. If such direct funding did in fact happen more frequently, the amount of remittances and the amount improvements made would both rise, reducing the percentage of use accordingly.

<sup>169</sup> This figure includes land purchases for housing purposes. Without such land purchases included, 19.5% of remittances would be used for housing, and 41.5% of marginal income as described below.

The importance of housing as a remittance use stands out even more when we look at the percentage that housing expenditures represent of the marginal income of remittance households. As laid out in Chapter Three, remittance households, while comparatively poorer without remittances, had on average \$1,276 more in annual income than non-remittance households.<sup>170</sup> Using ten-year income estimates for both groups, average housing expenditures would represent 57% of this margin.<sup>171</sup> This projection tells us that a large proportion of the marginal income from remittances may be used to improve the housing circumstances of the households that receive them.<sup>172</sup>

## 5.7 Summary

This chapter has synthesized the results of fieldwork carried out to determine how and how much remittances are being used for housing purposes in the study locale of San Jerónimo. Respondents' comments recognize the role that remittances are playing in housing production, and make strong connections between remittances and the changing face of housing in the San Jerónimo area. Remittances are viewed by households – both those with and without remittances – as a powerful tool for improving the household's housing circumstances, one that may even serve as a motivation for migration itself.

Building on previous chapters, this chapter has explained how remittances have come to play a big role in a context in which incomes are low, capital is relatively unavailable for many households, and housing improvement is gradual and incremental. Remittance households have been able to spend seven times more on housing than non-remittance households. The scope of this difference is remarkable across all income groups, both in terms of sheer dollar amounts and, in most cases, the proportion of households able to make improvements. Non-remittance households exhibit a correlation between income and housing expenditure, but for remittance households there exists no correlation between these two variables. This result suggests that remittances are having an equalizing effect on the ability of households to improve their housing circumstances. Across the entire sample, remittance receipt status has proven to be a stronger determinant of housing spending than income itself.

The data also reveals an unusual trend of disparate housing spending patterns within income groups based on remittance status. This may be explained in part by the existence of a distinctive flow of remittances – apart from regular remittances factored into the income –

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<sup>170</sup> This margin, it was argued in Chapter Two, can allow us to compare how remittances are being used as additional income by similar groups, since it gives us two sets of households that theoretically have the same resources except for this marginal income.

<sup>171</sup> It is recognized that these are simplistic estimates of remittance flows over the last decade. Actual flows could be more or less, households could have been funding housing, for instance, with savings from remittances over the past 20 years, as in one actual case, or more or less migrants could have been sending remittances previous to the current year. Even taking into account these potential fluctuations, this estimate gives a sense of the magnitude of remittances' use for housing. Further longitudinal study would serve to confirm exactly how much of remittances are being used to improve housing.

<sup>172</sup> If flows were twice the amount estimated, this would still mean that housing uses represent 12.25% of total remittance income, and 28.5% of marginal income. A longitudinal study documenting actual remittance receipts over the decade could serve to confirm the exact proportion of housing uses; as a beginning, these preliminary estimates and the findings of this study suggest that remittances are used more extensively for housing than has been previously described.

that is directly funding housing improvements. This distinctive flow may partly explain why remittance households' income does not correlate with their housing spending. It may also hint at the existence of a more widespread phenomenon of distinctive flows specifically directed toward funding housing improvements and construction. On a different note, remittance households show a greater likelihood of purchasing land for housing purposes.

Remittance households exhibit higher percentages of more expensive materials in all aspects of the house studied, with significant differences in types of roof and floor, and with moderate significance in the class of sanitary and drinking water facilities found in the household. Remittance status has a significant impact on the proportion of households that have replaced their roof, floor, and walls. One example of patterns of material change indicates that 16% of remittance households have used their increased wealth to eliminate dirt floors as a housing deficiency.

Remittance households are building new homes at a significantly greater rate than non-remittance households, a fact that accounts for much of the housing spending of these households. These homes use more expensive materials than the average remittance or non-remittance house, and are being built by households in all income groups. Poor non-remittance families, by contrast, have not been able to build new at all. Finally, remittance households show a significantly greater likelihood of building new additions to their homes, including kitchens.

Remittances are having a big impact on the options of the families that receive them. Remittance households are in a much better position than those without to spend on housing, both in terms of building new homes and improving existing dwellings. They also may be providing new opportunities to make major improvements in households whose poverty may have previously inhibited them from making improvements, as a subgroup of data suggests. They may also be using remittances to "catch up" with higher income groups. This differential ability to spend on housing is spread across all income groups, suggesting that for remittance households the decisive factor in being able to improve their housing circumstances is not increased income, per se. Evidence of direct remittances to fund improvements suggests that remittance households may be in a much better position to improve their housing because they are connected to a source of improvement capital in the form of the migrant living abroad.

## 6.1 Conclusions

Migrant remittances have come to light over the past decade as one of the most important capital flows to developing countries, playing big roles in both family budgets and national macroeconomic forecasts. As the global importance and magnitude of these capital flows becomes clearer, interest has grown in how remittance resources are used and how they impact the households and communities that receive them. For scholars and practitioners of housing , it is critical to understand the particular impacts that remittances have on the housing process and its outcomes. These capital flows – which far overshadow overseas development assistance in many developing countries – could serve as an actual and a potential tool for housing development across the globe.

The San Jerónimo area is a place that is variously and profoundly influenced by migration and remittances. The majority of households have a member who lives abroad, most of them labor migrants whose relatively higher wages allow them to send remittances to their families back home. For the sixty-one percent of households that receive them, remittances on average represent nearly half of household income, improving living standards and often providing new opportunities for families in this rural area. The great majority of migrants are the sons, daughters, or husbands of household heads, and almost half of households with children have a child with a parent abroad, helping to explain the strength of these flows. These remittances arrive in a context in which families have adapted the housing process to match their needs and their financial capabilities, espousing a philosophy of building only with funds they have in hand. This model has largely worked, but has been hindered in many cases by a lack of readily available capital.

These two important contemporary global trends – remittances and informal housing production – come to life and fuse together in the San Jerónimo area. A context has emerged in which remittances have become an essential source of capital for housing improvements and the housing production process itself has been profoundly influenced by the widespread use of remittance funding.

Remittances have taken on a critical role in the process of housing production in the San Jerónimo area. Remittance households have access to a source of capital that non-remittance households do not – one or more migrant family members abroad who send funds on a regular basis to support their family in El Salvador. This study has revealed that remittance households have overwhelmingly taken advantage of this “family capital” over the last decade to improve their housing circumstances. Compared to non-remittance households, remittance households have been twice as likely to make housing improvements, and they have spent an average of seven times more on this work over the last decade. Remittance status is more likely to be a determinant of the scope of improvements made by a household than their income. Moreover, remittance households’ spending on housing does not correlate with their income, such that remittances are having an equalizing effect on housing expenditures across the income spectrum.

This study concludes that households have extensively used remittances as a capital input to housing, indicating that remittances serve as a solution to the gap of capital that has historically put a check on the scope of improvements that households could make. Most poignantly, remittances are clearing the bottleneck of capital for many of the poorest households, having enabled them to perform a scope and amount of improvements that has been unreachable for their non-remittance neighbors of the same income category. One possible explanation for this huge gap is the additional remittances that migrants send to directly fund housing expenditures.

Remittance households exhibit significantly different strategies for housing production with regard to every housing input. Remittance households hired labor to carry out improvements in 81% of cases, differing from non-remittances household that provided their own labor half of the time. In remittance households, responsibility for supervising the work and acquiring materials was dispersed through the family network, and was significantly more likely to be coordinated by a female family member – a stark contrast to a traditional model exclusively centered on the male head of household. Remittance households overwhelmingly utilized a transnational model of land purchase whereby family members in El Salvador – the majority women – purchased land on behalf of migrant members of the household abroad. Remittances have had a significant impact on *how* remittance households improve their housing circumstances, not only *how much*.

These patterns indicate that the use of remittances as housing improvement capital has not, however, supplanted the utilization of social capital found in family networks; rather, it has reinforced these networks and transforms the particular ways that family members are involved in improving the households' housing circumstances. This study shows how remittances – as largely informal, intra-familial flows of resources – have been integrated into a mostly informal, autonomous, and family-based system of housing production. Remarkably, remittance capital has enhanced these self-help strategies, amplifying the scope and type of improvements that households have been able to make. The impact of remittances-as-capital on the three other inputs to housing provides evidence of this increased capacity, as households use more expensive materials, hire more labor, and buy more land to build new in the future. Households still maintain control of the process and build with the resources they have, but in remittance households these resources allow them to do much more.

The last decade of remittance household improvements has changed the face of housing in the San Jerónimo area. New houses – mostly constructed of brick and outfitted with premium roofs and floors – are the most visible example of this in a town that was constructed completely of adobe and other traditional materials a quarter century ago. Remittance households have also been significantly more likely to make improvements to their walls, floors, and roofs. Their houses are more likely to be made of more expensive materials, and less likely to have deficient sanitary facilities and dirt floors. A statistical “before” picture indicates that remittances have enabled some families to move from a substandard level of housing to above average conditions.

Estimates in the San Jerónimo case indicate that more than half of households' marginal income from remittances may be used for housing purposes, and nearly a quarter of all remittance income. The informal nature of the way that remittances are used for housing – no financial institutions involved, lack of official construction oversight, coordination through family

networks – may explain why their use for housing purposes does not appear boldly on the radar screen of remittance uses or national statistics.

The positive impact of housing expenditures on economic growth – an aspect of “productive uses” – may be similarly obscured by the informal way in which remittance households invest in housing improvements. Preliminary data point to a need for research into how remittance households’ expenditures on housing may be supporting local businesses and fueling the growth of local construction enterprises and employment.

The results of this study affirm the methodological importance of looking at the local context in order to understand remittance uses and their benefits to remittance households. In the San Jerónimo area, the use of remittances has largely followed the contours of a local system of housing production characterized by informal and autonomous strategies. A study of remittance uses for housing in an urban area, by contrast, might give us a different picture of how remittances act as a form of housing capital in a more formalized context of housing production – a line of inquiry well worth pursuing. Whether rural or urban, formal or informal, an understanding of this local context is critical to an understanding of how remittances are used for housing. This local perspective is especially important when remittances are received in places in the developing world where informal housing practices are prevalent and may hide the patterns of remittance use at first glance.

A look at the local context also shows how remittance expenditures on housing have had a positive developmental impact on the study area. Poor quality housing is one of the most visible indicators of poverty; though no panacea for poverty, better housing conditions can mean more comfortable life circumstances, better health, and a foundation for a more promising future. This study concludes that remittances serve as a tool for households to achieve a sustained improvement in their living conditions, not only as a survival strategy. For many families, using remittances to improve their housing circumstances may represent a sound decision to make a productive investment in their future. This sheds light on how remittance uses are locally conditioned to address household needs – housing in this case – and supports a more broadly-conceived definition of the productivity of remittance uses.

These findings from the San Jerónimo area, tucked in the northwestern corner of El Salvador, could give a glimpse of bigger trends. It is one of many places across the globe where remittances play a major role in improving families’ life opportunities, and is likewise one of many places where households take the process of housing production and improvements into their own hands. In other locales throughout the world where these trends intersect, remittances may also act as a critical form of capital that enhances the capacity of households to achieve improvements in their housing circumstances. Further study of how remittances and housing interact would tell us more about how these global capital flows better enable households not only to survive, but to thrive.

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## Annex 1 – Methodology notes

### Survey administration

1. After two unsuccessful attempts to conduct the survey at any given selected household, the household was replaced by another house from a randomly-generated list. In the case of Guayabillas and El Puntito, replacements were made by going to the next available house on the left, then the right, then continuing until a replacement was found.
2. Replacement of randomly selected households was made in 23% of cases, usually due to there being no one at home who could answer the survey. In San Jerónimo proper, replacements were also made because the house appeared unoccupied. Only one refusal was made for reasons of not desiring to answer the survey questions.
3. Respondents were presented with credentials of the interviewers upon request, as well as a letter from the Institute for Housing and Urban Development Studies that had been translated into Spanish.
4. All Spanish translations have been made by the author, unless otherwise noted.
5. The U.S. dollar became legal tender in El Salvador on January 1, 2001. The Salvadoran *colón* ceased to be issued on this same date. All monetary amounts in the thesis are expressed in U.S. dollars. In cases of improvements made before 2001, respondents sometimes gave quantities in Salvadoran *colones*, the currency prior to 2001. In these cases, a conversion rate of 8.75 *colones* to the U.S. dollar was used to convert these amounts.

### Analysis and methodology

6. Number values are usually expressed without decimals, and are rounded.
7. Of the one hundred households surveyed, 98 cases were utilized for the analysis. One household did not know the answer to a large percentage of the questions, invalidating the use of the survey for the analysis.

The other household fully answered the survey, but presented results that seemed too large to be realistic. This respondent claimed that she had invested \$114,285 in improvements to her home (1 million *colones*). Her home was, in fact, one of the largest if not the largest in San Jerónimo proper, but the nearest improvement in dollar amount was \$30,000. This highly unusual amount impacted greatly any significance tests, and raised the average improvement amount by several thousand dollars per household for remittance households. As an exceptional case, it was excluded from the analysis.

8. Chi-square was used to analyze the relationship between categorical variables. Significances are noted in the footnotes where appropriate. Typically the significance

level is set at  $<.05$ , but in some cases significance of  $<.1$  is noted. The abbreviation  $p=$  is used to denote Pearson's chi-square results.

9. Anova table tests were used to analyze the impact of variables on mean amounts between groups, with significances also noted in the footnotes or in the body of the thesis. Typically the significance level is set at  $<.05$ , but in some cases significance of  $<.1$  is noted.
10. Paired sample T-tests were utilized to test the significance of before and after values for the same group. Typically the significance level is set at  $<.05$ , but in some cases significance of  $<.1$  is noted.
11. Income definition was designed to incorporate factors of income that are particularly relevant to the livelihood of rural households. These included the sale of agricultural and animal products. It also asked households to estimate (in quantities or dollar amounts) how much they consumed of what they harvested, in the interest of representing the in-kind income that households might receive (or otherwise have to pay for had they not had this income). When quantities of crops were given, in-kind income was calculated during the data input phase. The following rates used:

Corn:	\$25 per carga
Maicillo (corn variety used for animal feed):	\$25 per carga
Beans:	\$50 per carga

\* *Carga = approximately 92 kg or 202.8 lbs.*

It is recognized that these amounts are approximations, given the variability of agricultural prices as well as the range of varieties of corn that can be grown. Low values were used for corn and maicillo, rather than the peak at which the market was at the time of the survey (approximately \$40 per carga).

12. If improvements were made to a house and the household paid rent for the dwelling, these improvements were not included as valid improvements.

## Annex 2 - Relationship of households to financial institutions

Respondents were asked about their relationship to the banking sector, their use of loans, and, when applicable, their reasons for not using formal financial services. Most households seemed to have little or no formalized relationship to formal financial institutions.

### **Bank accounts**

Relatively few households have a bank account – only fifteen percent. Not surprisingly, no bank branches are located in San Jerónimo. The nearest banks are located in the city of Metapán, at a distance of about 30 kilometers. Metapán also has a number of non-bank financial institutions, including credit unions (cooperatives), micro finance institutions, and small loan offices. Historically this distance is likely to have played a part in isolating the San Jerónimo population from formal financial institutions. Transport and improved roads have made the commute to the city easier, but it is still about 45 minutes away. Notably, household members make the commute to the city for other reasons, principally to receive remittance payments. Many of these remittances are paid out at bank branches, suggesting that the low usage of bank accounts is about more than logistical difficulties.

The resistance to banks comes through most clearly in respondents' own words about them. Two strains of opinion emerge; they are focused around a distrust of banks and a judgment that a low-income person has no use for a bank. Many noted that the bank is far away, and that they often consume what they earn, or invest in it in a money earning enterprise (buying some chickens, for example). Having a bank account meant for many the inconvenient and unappealing prospect of putting their money somewhere where they could not reach it. Those who did save expressed that they simply did not feel comfortable putting their money in someone else's hands. One mother of a migrant had claimed to have saved over \$100,000 over nearly twenty years, all stored in her small adobe house!

### **Formal bank loans**

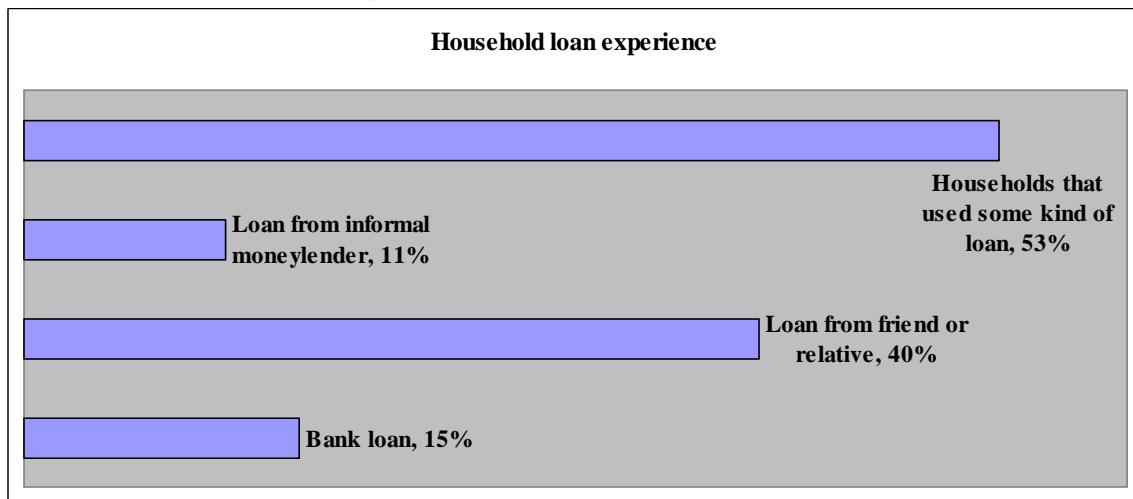
Bank loans were used by a significant percentage of the sample. Exact data on loan usage was not collected, but partial data tells us that many of these loans were for agricultural purposes. A large number of these friendly loans were for small amounts, to pay debts at the store or school fees, or to carry a household over until the next week.

Seventeen percent of households had acknowledged taking a loan to finance the trip to migration. (When undertaken illegally, costs for the trip seem to range from \$6,000 to \$8,000 per person.) These loans ranged from \$600 to \$6000. Some were loans from family in El Salvador; others were loans from migrant friends or family residing in the United States. In some cases the migrant had borrowed from individuals in both countries. Most of these personal loans were reported as interest-free. Informal moneylenders also were utilized. In eight cases households had paid interest rates as high as 4% monthly to informal lenders to borrow money for the trip north. In five of these cases households had used the title of the house as a guaranty for the loan.<sup>173</sup>

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<sup>173</sup> Conversations with two local attorneys (in Metapán) indicate that this practice is not uncommon in the area, and the majority of those who do so come from rural areas.

**Figure 33: Household loan experience**



**Table 5: Typical loan amounts by category**

Bank loan	71% more than \$500, 29% over \$3,000
Personal loan	54% less than \$100, 72% less than \$500, 28% more than \$1000
Informal moneylender	55% more than \$1,000, 27% more than \$3,000

These figures suggest that households are not experiencing a generalized phobia toward loans. Rather, they are only willing to take on loans for a certain purpose. One respondent's comments represent the sentiments of many:

Why would I take out a loan to do something at my house? That is money that I would need to pay back then. I don't want to be responsible for paying back money that I'm not sure I have. If somebody were to give me a loan, I would use it to buy some animals, or for my husband to buy some land for the harvest. I wouldn't use it to build a new bathroom.

The message of this comment is basic but powerful: the household would entertain taking out a formal loan of a significant amount only if it served to leverage some kind of future income.

The resistance to the use of loans for housing purposes seems deeply rooted in the culture of housing improvements in the San Jerónimo area. As already noted, improvements have traditionally been carried out in accordance with a family's available resources. Whether by design or by circumstance, households expressed that they do not like to spend more than they have when they improve their houses. When they do take loans, it is with the goal of leveraging a future gain. A history of limited access to housing finance instruments, discussed above on a national level, is likely to be one of the reasons why this culture of self-help has developed.<sup>174</sup>

<sup>174</sup> Conversations with financial institutions in Metapán indicate that there may, in fact, be options for households in San Jerónimo.

The total lack of housing loan usage might also be explained by the demographic profile of household heads. On average, household heads have completed around two years of primary schooling. While data was collected on literacy rates specifically, many respondents volunteered that they could not read or write. These factors are likely to stand in the way of accessing formal banking and loan mechanisms, especially given households have little previous experience with the financial sector.

It also may be the case that households are not aware of the options for loans that would serve their needs and conform to their capacities for payment. As discussed earlier in this chapter, housing loan products of various types are becoming available to a wider segment of the population, introducing new options that cater to the needs and abilities of formerly marginalized populations. Some of these options can be found in Metapán, but not a single household said that they had accessed any of these options.

### **Migrant savings**

Basic data was collected on the banking practices of migrant members of remittance households. Respondents were asked if any migrant members of the household had a bank account, either in El Salvador or abroad. Twenty-eight percent of respondents said that a migrant had an account in El Salvador, and 35% said that a migrant had an account abroad. Many respondents (more than 50% in both questions) did not know the answer.

### Annex 3 - Other aspects of the material acquisition process

It is important to note the aspects of the process that have remained almost identical: where materials were purchased, when they were purchased, and how they were transported.

1. Almost all households acquired their materials at hardware stores in the nearby city of Metapán.
2. The length of time over which households had purchased materials did not show a significant difference between groups. Thirty-seven percent of all households bought their materials all at once, and an equal proportion bought their materials over the course of three months. The remaining 26% bought their materials more gradually, over the course of 3-9 months. Only 5% took longer than 9 months to gather the materials for construction. At first this similarity may seem confusing, given that more funds available from remittances could be expected to speed up the construction process. The similarity in time period may be connected to the size of the improvements that are undertaken by remittance households, projects like new home construction that typically take much longer to complete.
3. About one-tenth of both groups said that they had made use of a paid, informal transport system to bring materials from Metapán to the site where they would be used.<sup>175</sup> The data is not sufficient to confirm this, but anecdotal evidence suggests that a higher percentage of households used such informal services to transport materials.<sup>176</sup> A number of households also commented that they borrowed trucks from neighbors, relied on the help of family, or paid the hardware store to transport materials to the building or improvement site. This is line with the fact that 70% of households do not own a vehicle, and would need some form of transportation to get materials from Metapán.

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<sup>175</sup> One such local transport operator said that he had both small and large trucks available for transporting construction materials. (Three such operators were known to be in business in the San Jerónimo area.) This transporter would find out how much material was needed, pick up and deliver the materials, and charge the client an amount that covered the cost of materials and transport. Other households using a different transporter responded that they would go with the transporter to Metapán in the truck, pick up materials at the hardware store, and return to the San Jerónimo area to drop them off. (In this case they would pay for the materials directly and pay the transport specifically for his services.)

<sup>176</sup> Surveyors did not begin to collect such information until about halfway through the sample, thus results are not representative of the whole sample.

## Annex 4 - Multiplier effects from housing spending and changes in the construction sector

An optimistic view of the multiplier effects of remittances, write Lowell and de la Garza, opens up numerous ways of conceiving of remittance spending as economically beneficial beyond the receiving household. (De la Garza and Lowell, 2000) Housing improvements can be considered particularly impactful on local economic development, especially if they are spent on local products and services. Evidence from the survey and interviews sheds some light on potential positive local impacts. Remittance households spent \$384,315 for housing purposes over the last decade. This money paid for materials, material transport, and the labor of improvements – likely benefiting local formal and informal businesses and the construction sector. Data on improvements and interviews with local businesses give us a simple but compelling snapshot of the impact of this spending, and also indicate that remittance household building activity may have influenced the development of the construction trade in the San Jerónimo area.

*Materials* – ninety-two percent of remittance households bought their materials at hardware stores in the nearby city of Metapán. The remainder bought them from outlets in other towns, or in the small hardware in San Jerónimo proper. Managers of two of the largest hardware stores in Metapán indicated that the majority of their sales are to the relatives of migrants or returned migrants who are building houses. One estimated that 75% of the materials that the store sells are used for constructing migrant-funded houses. Using figures from the sample population, households in the San Jerónimo area are estimated to have spent between \$500,000 and \$800,000 over the last ten years on construction materials, most of this estimated quantity spent in the local economy.<sup>177</sup>

*Labor* – Chapter Four related the significant impact that remittances are having on labor strategies of remittance households. Remittance households are much more likely than non-remittance households – 81 percent versus 40 percent – to hire paid labor to carry out improvements, and are typically hire more laborers per project. This growth in labor demand (as compared with non-remittance households) is likely to mean that employment opportunities in the construction field are growing in turn. In an area where higher-wage employment jobs are in short supply, this increased demand for labor has clearly benefited workers in the construction field – especially given apparent wage increases over the past several years.

Data from the survey tell us that the wages of masons and mason apprentices are higher than average wages for day laborers in agriculture or cattle, and have been steadily rising over the last decade. Data from 22 households in the sample indicate that the average daily wage in the period from 1997-2002 was \$5.50 for a mason and \$1.79 for a mason's apprentice. During the last five years a mason has earned an average of \$12.24 per day and an apprentice \$6.89, representing an enormous growth in a short time period. This means that a mason's assistant earns on average more than an experienced agricultural day laborer (\$6 daily).<sup>178</sup>

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<sup>177</sup> Projecting spending across the entire population based on the sample, with the lower figure based on 50% of total expenditures being spent on material and the higher figure based on 75%. Given the low cost of labor relative to materials (as indicated by cases where breakdowns of labor and materials were collected) is likely to be closer to 75%.

<sup>178</sup> A few cases were mentioned of masons or masons' apprentices who learned the trade in El Salvador and then migrated abroad. (Nearly a quarter of migrants in the sample work in the construction trade.) One respondent

*Impact on the construction trade* – Local masons have commented that the number of masons has grown a great deal in the past ten years, and that strategies for working as a mason have also changed as activity in building migrant-funded houses has increased. Anecdotal data from the survey and interviews suggest that construction employment – whether as a mason or an assistant – has gone from being seasonal employment undertaken during the agricultural off-season to being a full-time occupation. In other words, a mason would work as a semi-subsistence farmer or day laborer and then supplement this work with masonry work in the summer off-season (“*verano*”).<sup>179</sup> Some respondents complained that ten years ago construction would sometimes be delayed because the mason had to go to work his own fields when the rain came. Now, some said, masons were more likely to be able to dedicate themselves to masonry as a full time occupation. One mason confirmed that he no longer worked his own land, since he had enough projects to sustain him through the year.<sup>180</sup>

*Transport services* – as noted in Chapter Four, about 10% of remittance households used informal transporters to get their construction materials from the hardware store to the construction site. Since data on this point was not collected for all respondents, it is possible that this percentage is actually much higher. At least four such transporters were identified in the San Jerónimo area. An interview with one transporter confirmed that the great majority of his business came from remittance households – with some households making a few trips a month over the course of several months.

These apparent impacts point to a positive ripple effect on the local economy when remittances are spent on housing improvements. The greater propensity of remittance households to hire labor may be a main reason for the growth and transformation of local construction employment opportunities and practices. The jobs that remittance housing investments create appear to be among the most lucrative in the San Jerónimo area, offering higher wages than the typical day laborer jobs. Both formal (hardware stores) and informal businesses (material transporters) – and their employees – seem to benefit from the increased business brought by the improvements made by remittance households. If the patterns and scope of housing spending have similar effects in other remittance-receiving communities in El Salvador, the positive economic impact of remittance households’ housing spending could be quite widespread. More detailed investigation of these and other potentially positive economic impacts of increased housing spending by remittance households is a worthwhile, especially since these effects are unlikely to be seen without closer analyses of the local context of remittance uses.

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commented that the best mason in town had built her house and then shortly thereafter migrated himself to the United States, where he now works as a mason in New York.

<sup>179</sup> Interestingly, many respondents noted that construction improvements still do seem to have an inverse relationship with the agricultural cycle, with more households carrying out improvements in the farming off-season. It was explained that during the off-season is when family members have time to buy materials, supervise improvements, or contribute their own labor to the improvements process.

<sup>180</sup> In two cases remittance households made an agreement with a mason that utilized a general contractor model rather than a day laborer model. Rather than paying daily wages, the mason and household in these cases negotiated a lump sum price for the labor (with materials continuing to be paid directly by household) and the mason completed the work for that price, assuming the risk of loss or the gain of profit if it took shorter or longer to complete the work. These household expressed that they did not want to burden themselves and their family with the task of overseeing improvements and worrying about whether the mason was working fast enough. It remains to be seen whether this trend portends a wider change in construction strategies.

## Annex 5 - Unoccupied house phenomenon

Salvadoran community activist and hometown association leader Hugo Salinas commented in an interview that his hometown of Intipucá – a locale well-known for an imbedded tradition of migration to the Washington, DC, area – was a place full of “*casas bonitas pero vacías*” – beautiful but empty houses. As one walks through the community of San Jerónimo proper, the same phrase comes to mind on certain streets. A place full of neighborly spirit and open front doors, it is not difficult to notice when a house is not occupied in San Jerónimo – some of them the grandest houses in town.<sup>181</sup> Previous studies have pointed out what might be called this “empty house” phenomenon (inter alia Osili, 2004, Jokisch, 2002)

Shuttered windows, overgrown grass, and barb-wired fences begged for an explanation of why these houses are standing empty in a place of housing need. In the course of conducting this survey, it became quickly obvious that this was not an isolated phenomenon. Empty houses stood on every street of the town, and on some streets several houses could be seen. Given the stories that were being told about these houses, documentation of their existence became important to understanding how remittances were being used for housing purposes in this town. Since it was not possible to survey unoccupied houses, they are not represented in the sample.<sup>182</sup> A basic survey was thus undertaken to gather information on the number of houses, their owners, and possible reasons for their vacancy.<sup>183</sup>

Fifty-one houses in San Jerónimo proper were estimated to be unoccupied. This represents somewhere between 18% and 29% of all houses in the town.<sup>184</sup> Some were old houses that seemed abandoned due to disrepair or neglect, and others were advertised for rent. The majority, however, were said to be abandoned for several years. This phenomenon primarily brings to mind three questions: who owns these houses, who cares for them, and why they stand empty.

Neighbors reported that about two-thirds of the houses were owned by someone who resides abroad.<sup>185</sup> These 33 houses – approximately 12% of the entire housing stock in San Jerónimo – had been vacant for an average of more than five years.<sup>186</sup> Neighbors reported that 52% of houses with the owner abroad had never been occupied – this represents 6% of all houses in the town. These houses were not just constructed yesterday; houses that had never been occupied had been built an average of 4.5 years ago. Nearly two-thirds of these houses were built in the last decade.

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<sup>181</sup> Due to time constraints, an analysis of this phenomenon was only carried out in San Jerónimo proper.

<sup>182</sup> Four of these houses were among those randomly selected for the survey. Since they were uninhabited, they were replaced by other randomly-selected households.

<sup>183</sup> A local university student with an insider knowledge of the town and its housing stock was contracted to survey the houses and inquire as to their status and background from neighbors.

<sup>184</sup> As noted in Chapter One, estimates of the number of houses in the town vary. The 2003 map used to conduct the survey shows 174 houses, but an employee of the recent census in 2007 estimated the number to be 270. For the purposes of this annex I will use the larger number in order not to produce overestimates of this phenomenon.

<sup>185</sup> Of these houses, neighbors conjectured that 79% were funded by migrant remittances.

<sup>186</sup> Nine percent had been vacant for less than two years, 56% between 2 and 5 years, and the remainder for more than five years.

More than *three-quarters* of these 33 empty houses were cared for by family, according to the survey, but family members did not reside in the houses. The remaining houses were cared for by a non-family caretaker, a neighbor, or no one at all. A community leader said that it was common for the owner of the house to find someone – whether a family member or a non-relative neighbor – to take on the responsibility of caring for the house.<sup>187</sup>

Some of these 33 houses appeared completed from the outside. Others were in various states of disrepair or were unfinished; it looked like construction had perhaps proceeded incrementally and then stopped. A local mason who spends most of this time working on migrant-funded houses commented that it was not uncommon for him to start building a house for someone who is abroad and then have to proceed in fits and starts due to fluctuations in the availability of funds. Anecdotal evidence indicated that even houses that appeared finished may not have been habitable on the inside, perhaps also due to stop-and-start construction.<sup>188</sup>

In a few cases, however, caretakers allowed access to the inside of houses, revealing interiors that were not just completely finished, but also completely furnished. One such interior was fully stocked for living, with a kitchen full of utensils, linens in the closet, and attractive furnishings. The caretaker (not a relative) said that the owner was born in San Jerónimo, migrated to the U.S. and had settled there and started a family with his wife, who was also Salvadoran. He had the house built about eight years ago. The family typically visited once every year or two for a few weeks, said the caretaker (The migrant's mother still lived in San Jerónimo). By most appearances it appeared to be a functioning house, were it not for the fact that everything – from furniture to cabinets to appliances – was completely covered in stretched plastic.

In still other cases, it was obvious that empty houses were completed both on the interior and exterior, but showed clear signs of being uninhabited. The most obvious sign was the barbed wire fences that surrounded some houses (see photo below). Another house, newly outfitted with smooth stucco and attractive blue ceramic tiles, was indeed occupied – by baby chickens. The neighbor said that the owner lived in the United States, and that his mother cared for the house, putting it to what might be have been her highest and best use at the time – as a chicken coop, albeit one with expensive finishes!

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<sup>187</sup> He said that it was actually becoming difficult for the owners of such houses to find people to take care of them, and that they had started in some cases to pay someone to care for the house on a regular basis. His own son lived as a caretaker in the house of a migrant whose primary home was in the U.S.

<sup>188</sup> The process of finding lodging for the research team proved an exercise in participant-observation on the topic of the empty houses. In search of a house to stay in temporarily, the researchers attempted to rent one of these empty houses. Several inquiries were made about different houses in the town, and at least half of a dozen houses that appeared finished from the outside were not, in fact, habitable on the inside, due to lack of water, electricity, or other reasons. The research team finally found a house to stay in that was in working order, though unfurnished. The owner was a migrant living in New York. His mother said that the son had purchased the house a few years ago, and would move there when he decided to return to El Salvador. Interestingly, he bought the house from a San Jerónimo family that had moved to the United States and, according to the mother, had sold the house in San Jerónimo in order to raise the funds for a down payment on a house in the United States.

**Image 14: Examples of unoccupied houses**



Unoccupied houses ranged in condition and type, but all were clearly marked as uninhabited – at least by humans.

The study did not endeavor to explain these empty houses, so data is not available that can confirm or deny local theories on why these houses stand empty. It is nevertheless worthwhile to think about reasons why this phenomenon might be taking place.

One explanation for the uninhabited state of the houses may be the simple fact that they are not ready to be inhabited. If migrants abroad who own them are building them incrementally, it does not make sense to move in or rent out the house. Fletcher writes about a similar phenomenon in a rural Mexican village:

The houses are empty because the migrants do not have the means to support themselves in the village...They are usually unfinished because even successful migrants do not earn much money. These houses are the most poignant reminders of the contradictions of a transnational existence. While they embody migrants' commitment to life in the village, they also entail an ongoing engagement in waged labor. (Orlove, 1997)

In the case of finished houses that have been previously occupied, the question is why they are now unoccupied. For houses that have never been occupied, we are led to question why they were built in the first place. If there existed no benefit to building the house in the present, then the migrant could delay building until a later time, as pointed out by Osili in his study of the

motivations behind migrant housing investments. It stands to reason that migrants are, in fact, building these houses with some purpose in mind.

The author spoke with town leaders, builders, a limited number of families of the owners of empty houses, and one visiting migrant who was the owner of such a house. Four strains of opinion emerged.

**House as future residence for current migrant** – Many believed that the house had been built in preparation for the migrant’s eventual return to his or her hometown, whether after retirement in the United States or simply after deciding to move back to El Salvador.<sup>189</sup> Osili calls this the claiming of “membership rights” in the future community. (2004) Fletcher notes that the aspiration for a future home back in the village motivated many migrants’ incremental construction of a home through years of waged labor abroad. (Orlove, 1997)

**House as “vacation” home in El Salvador** – As in the example of the house wrapped in plastic, houses may be used as home for migrants who come to visit occasionally. One mother of a migrant explained that her son does not like to bring his whole family to stay at his mother’s house, and for that reason built this house as a place to stay during yearly visits. She was unsure if he would ever come back to live in it permanently.

**House as symbol of migrant success** – Some thought that migrants built houses and left them empty to make the point that they were succeeding abroad and had the financial power to build such a house. According to this point of view, the intention of communicating the migrant’s success was paramount. One local leader – by reports a wealthy landowner – commented that migrants were building huge houses from afar to prove that they had achieved success in the United States. He added that many were replicating the style of the house that he had grown up in, which he claimed was once the most admired house in town. Osili calls this motivation “signaling” and found it to be one of the principal motivators for housing construction in his study of Nigerian migrant investment patterns. (2004)

**House as investment in future security** – Many returned migrants and current migrants’ families maintained that migrants live in an environment of fear and instability in their adopted country owing to the undocumented status of many migrants and their fear of deportation. Some said that they or their family members built houses in San Jerónimo as a kind of “back-up plan” in the case that something went wrong abroad. One returned migrant confirmed that this was one of the main factors that motivated him to build his house. Even after more than 20 years in the United States, he said he still did not feel secure there, and built the house to guarantee that he would have a place to live in El Salvador in the case of emergency.<sup>190</sup>

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<sup>189</sup> In at least four cases amongst remittance households, the house had been built while the migrant was still abroad, and the migrant inhabited the house upon his or her return. These same cases could have once been empty houses themselves.

<sup>190</sup> The details of his house underlined his point – the house was outfitted so that, by his account, he could leave his home in Texas with “nothing but the clothes on his back” and arrive in El Salvador to a house fully equipped to live, including a whole wardrobe stored there for him and his wife.

Although we cannot explain the motivations behind the building of these houses, it is clear that they are a pervasive phenomenon in this small town, and one that may continue to grow. Data from the household survey indicate that there were 13 purchases of land for the purpose of building a house for a migrant in the future. If we use this number to estimate the number of lots that might have been purchased throughout San Jerónimo proper, it would mean that between 26 and 48 lots that have been purchased to build future housing for migrants. If the housing built on those lots followed the same pattern as the current 12% of unoccupied houses owned by migrants abroad, it could increase the percentage of houses in the town that look beautiful but stand empty.

## **Annex 6 - Land purchase details**

- Six purchases were for land to build the house where the household lived at the time of the survey, spending an average of \$2,345 per plot.
- Fourteen purchases were for land to build a house for a migrant upon his or her return from abroad, spending an average of \$5,578 per plot.
- Three purchases were to buy a neighboring plot make an addition onto the home, spending an average of \$3,300 per plot.
- Two purchases were of existing houses, one in San Jerónimo and the other in Guatemala. Price information was only known about the house in San Jerónimo, which was purchased for \$25,000 by a migrant abroad.

Of the four purchases that were made by non-receiving households, two were for the construction of a new house, one for the purchase of an existing house (in another city) and one for the expansion of an existing house.

## Annex 7 - Comparison of floor, wall, and roof types

Figure 34: Comparison of flooring between groups

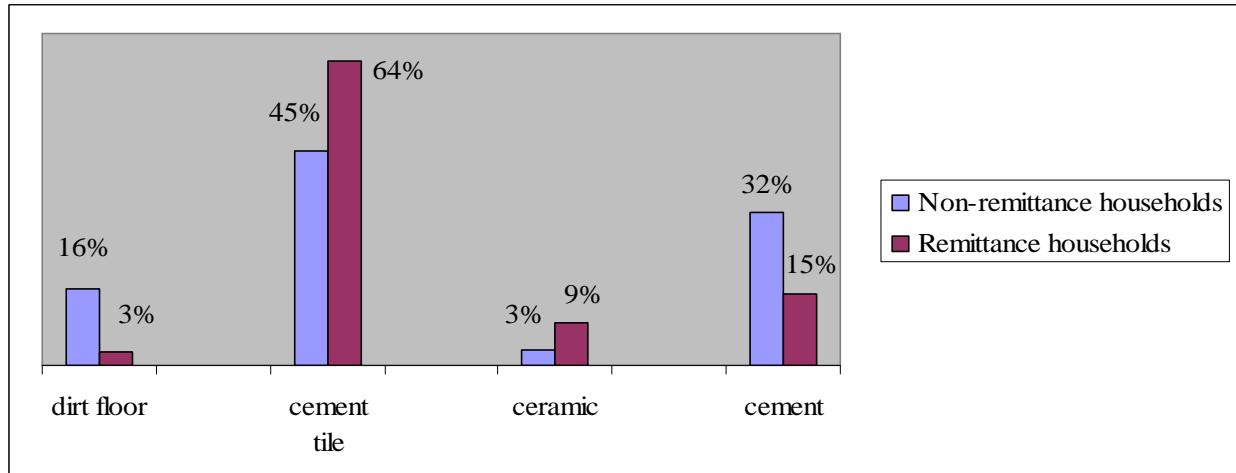


Figure 35: Comparison of wall types between groups

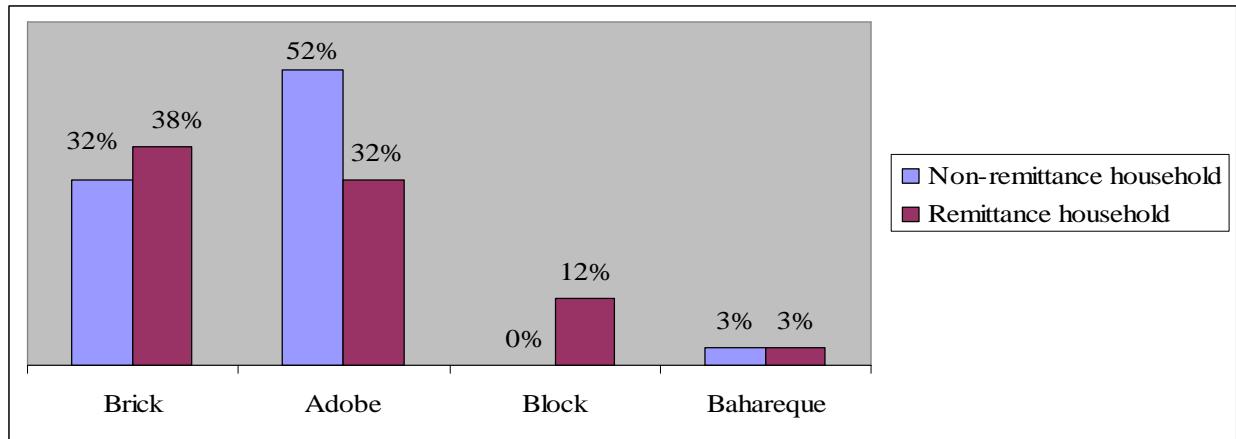
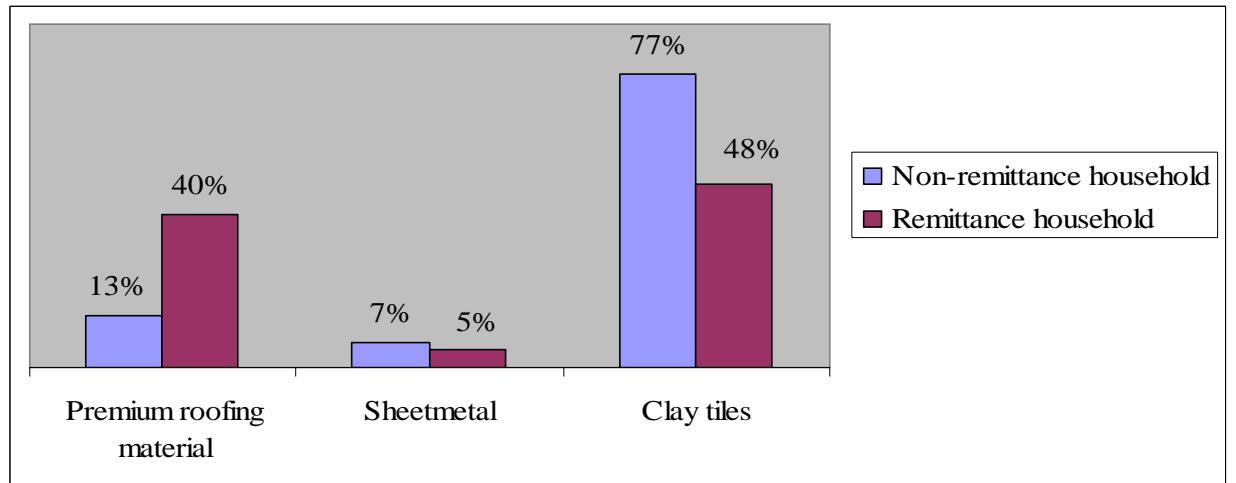


Figure 36: Comparison of roof between groups



## Annex 8 - Comparison of water and sanitary facilities

Figure 37: Comparison of source of drinking water

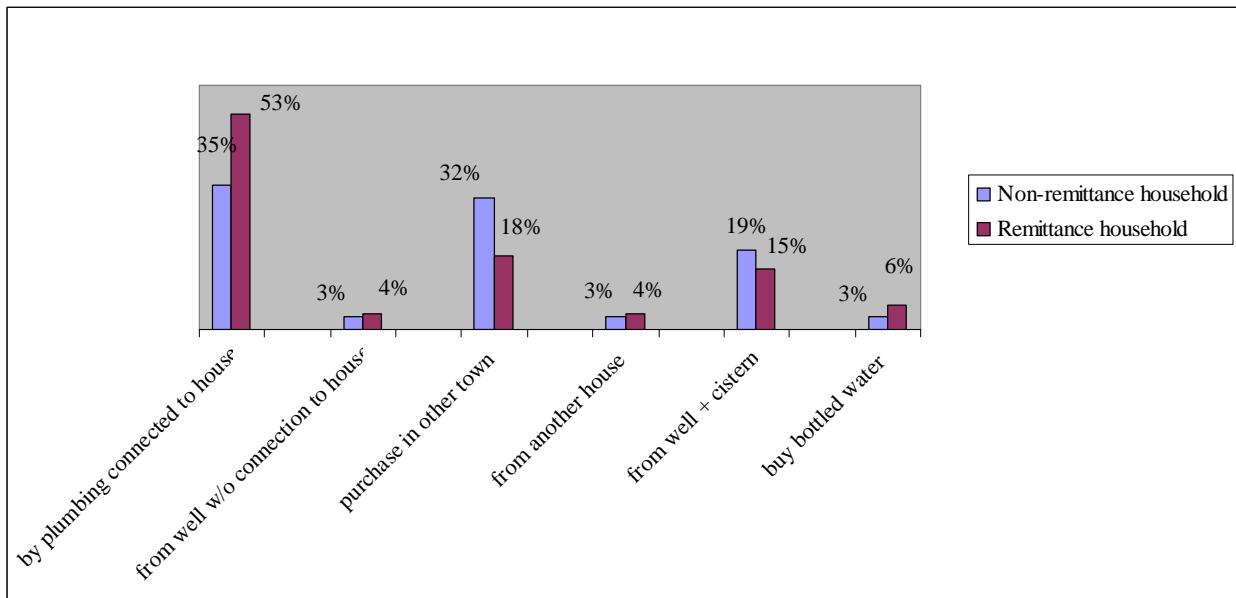
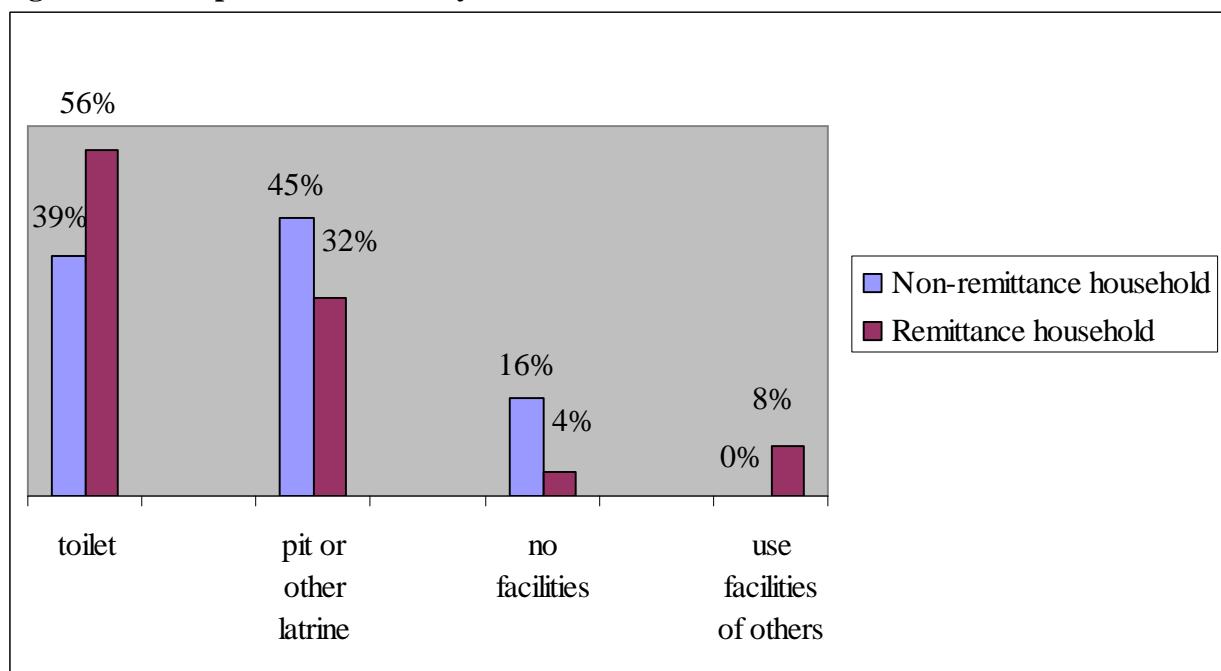


Figure 38: Comparison of sanitary facilities



## Annex 9 - Household narratives

Unlike non-remittance households, who showed fairly uniform strategies for accessing and managing the inputs to housing, remittance households often employed a range of different strategies and involved a number of actors in the course of improving their housing circumstances. It is not the objective of this thesis to share all of the typologies encountered for improving housing. The following examples give a sense of some of the variety of tactics and arrangements that families used to carry out improvements or build new houses.

### 1. Antonio – visiting migrant

Antonio was one of several members of his family to migrate to the United States, having left El Salvador to join his brother in New Jersey in 1997.<sup>191</sup> He found employment in construction and eventually worked his way up to a job as a mason earning \$18 an hour – equivalent to three days wages in El Salvador. Ten years later he still lives in the United States, but his wife and two young children live in El Salvador. Over the course of the decade he assembled the money to send regular remittances and to incrementally build a house, to which he returned yearly to visit his family. Antonio provided details of the construction process to the author on one such return trip in August 2007.

After four years of saving, Antonio expressed to his mother that he wanted to start the process of building his home. (At that point his wife and daughter lived in his parents' home). The lot next to his mother's house was owned by a large local landowner who infrequently sold his land, according to Antonio. Antonio's mother was a *comadre* (a type of fictive kinship tie) with the landowner, however, and she convinced him to sell Antonio the piece of land. The landowner agreed on the condition that there would be no street access from the land, since this would trigger a need for a municipal approval of subdivision. Antonio agreed to direct the driveway through his mother's property, and sent his mother half of the price, or 11,000 *colones* (\$1,257), to secure the land. His mother paid the owner and Antonio received no title, agreeing with the owner that he would receive the title to the land in exchange for the other half of the payment on his return trip three months later. When he returned they finalized the transfer, going to a lawyer to transfer the title (Antonio paid the 1,000 colones/\$114 fee).

On that same visit Antonio met with a mason whom he knew through his cousin and sketched out his idea for the first phase of construction. Soon after his return to the United States construction began. He had saved 165,000 *colones* (\$18,857) at that point, having sent money every month to his mother, who put it in a bank account in his name in Metapán. His mother handled the finances for the project, monitoring how much money had been spent and paying the workers. His father coordinated the work, supervising the mason and coordinating the acquisition of materials. One mason and two assistants were usually employed in the work, which took three months. The mason earned 100 *colones* per day (\$11.42), and the assistants earned 50 *colones* daily (\$5.71). Antonio was working as a mason in Manhattan at that time, making in one hour close to the equivalent of the daily wages of the three person team that was

<sup>191</sup> Names have been changed to keep these sources anonymous. Antonio was not one of the 100 households surveyed. His sister was one of those surveyed, and the author took advantage of the timing of his return visit to get a visiting migrant's perspective on the use of remittances for housing.

building his house in El Salvador. The construction of the foundation, the two main rooms, and the *corridor* took about three months, and cost about \$16,000 in total.

In 2005 Antonio started the second phase of improvements, realizing plans to add two more rooms onto the house – a bedroom and a living room. The responsibility for the process changed this time, shifting to his brother Juan, who was in the United States with Antonio during the first phase of improvements. A different mason – a friend of Juan – performed the work, at higher rates of \$14 per day for the mason and \$7 per day for assistants. Since Juan did not have a bank account, Antonio sent him remittances more or less on a weekly basis to buy materials and pay for the workers. Juan would coordinate what materials were necessary, pick up the remittances in Metapán, buy the materials at the hardware store, and transport them in his own truck back to the house. Antonio paid for the gas for the truck, which Juan had bought with funds from his time in New Jersey. The second phase took one month and cost about \$4,500.

Antonio's story is a common one for migrants who are building a house for their family back in El Salvador. The capital came entirely from remittances in some form. Antonio funded the first phase of improvements by sending remittances on a monthly basis to his mother, who put them in a bank account (which, incidentally, was closed after construction was completed). The second phase was a classic example of the “additional remittances” mentioned already in Chapter Four, or remittances sent directly to fund housing improvements.

Management of the other inputs to housing was characteristic of the dominant patterns described in Chapter Four. Over the course of two phases of work, three different family members were involved in the process of building Antonio's home. His mother coordinated the finances, his father coordinated the logistics of the first phase of the project, and his brother the second phase of the project. Figure 39 depicts the organization of this scenario.

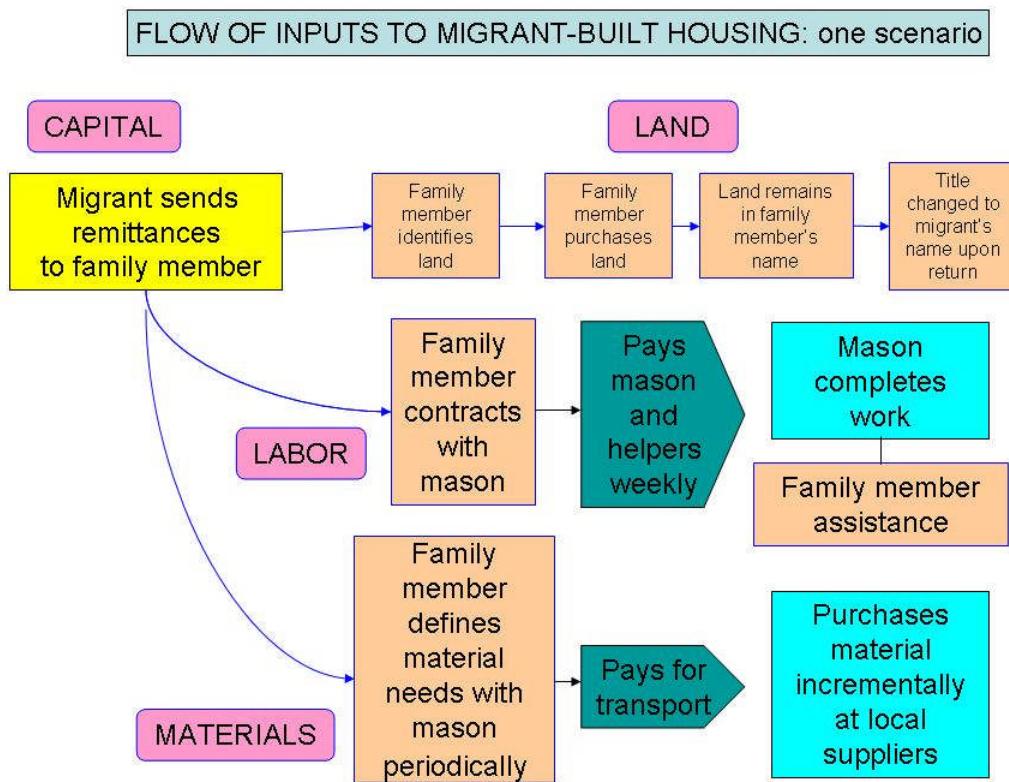
Antonio's case also illustrates some of the greatest costs and benefits that accrue to migration and remittances. He clearly has benefited from a big wage differential between El Salvador and the United States, working at relatively high wages to save over \$20,000 to build a house for him and his family. In one of the most painful contradictions of the migration process, however, he needed to be several thousand miles away from his family for 11 months of the year in order to gather this capital to build the home that would serve as the family base.

This pattern seemed characteristic of Antonio's family, which has been strongly impacted by migration and remittances as various members have migrated to the United States in search of opportunities there to improve their families' circumstances in El Salvador. One of Antonio's brothers had died in an accident there in 2002.

Antonio had first learned masonry while helping on the construction of his family's new home in 1994. His father was working in the United States at the time, sending back remittances to Antonio's mother to construct a new house for the family. Antonio's mother described the old house as a “mud shack” with dirt floors, built on land with insecure tenure. Six children and the two parents lived there. The new house was colorfully painted in Salvadoran-flag baby blue, with three bedrooms, concrete tile floors, a large kitchen and bedroom. His mother – who had grown up as one of twelve children of an itinerant tenant farmer who never owned his own home

– continues to live in the blue house with her husband, who has decided to settle back down in El Salvador after several stints working in the United States.

**Figure 39: Flow of inputs to migrant-built housing**



## 2. García family – migrant-funded new construction

The García family lived in a newly constructed house on the side of a hill overlooking the road to Metapán and the cattle pastures beyond. Both parents lived in the house, with four children ranging from 1 to 12 years old. The father, Alfredo, said he received about \$100 in remittances every few months from each of his two children from a former marriage, who lived in the New York area. He worked as a farmer on land that he rented from a larger landowner and worked as a day laborer.

The house was built in 2005, and was funded by Alfredo's children in the United States directly through remittances sent on a weekly basis over the course of construction. Alfredo coordinated the process of construction in the agricultural off-season, getting materials incrementally in Metapán, paying the four workers, and participating in the labor of the construction himself. His daughter, who was ten years old at the time, played the role of financial bookkeeper for the project, proudly recalling the amounts spent for materials. The entire house cost about \$3,500 in materials and \$1,800 in labor, one hundred percent of which was funded by Alfredo's children in the U.S. Previous to the construction of the house, the family had rented a home nearby.

Alfredo said that it would not have been possible for him to build the house with his earnings. Although his grown children had funded the construction of the house, he said that they were unlikely to come back to live there, but would probably visit.

### **3. Patricia – a mother who saved from daughters' remittances to build a new home**

Patricia and Fernando show tremendous energy for a couple in their late seventies. Fernando continues to farm a small piece of land across from their house, and Patricia takes care of their house, an airy and attractive brick one-story on the outskirts of town. Patricia professed to enjoy her rest after years of being occupied with the construction of the home, just completed in 2006.

They raised their family in a small adobe house only steps away from their current location. Four of their children – three daughters and a son – live in the New York metropolitan area. The first of the four left El Salvador in 1987, borrowing from an informal lender who demanded the title of the old house as collateral. To this day the three daughters continue to send remittances from their earnings at a cleaning company. Patricia said that the daughters consistently send \$100 a month -- \$50 for her and \$50 for Fernando. They speak to all of the children about once a month, and the children occasionally help with other sporadic expenses, such as \$1,700 for an operation that Fernando had that year (The daughters borrowed the money from their boss at the cleaning company.)

Patricia said she began saving from these remittances a few years after her children left. Her typical strategy, she said, was to spend about 25% of the remittance she received and save 75%. (She saved these funds at her house, since she said she did not like banks.) In 1992 she used these savings from remittances to buy two *solares* (plots) for a total of 10,000 *colones* (\$1,143). One would serve as the *milpa* for Fernando to farm, and the other would be the land on which their new house would eventually be built.

Patricia said that she began buying the materials for the new house in the same incremental manner that she had saved the remittances. She bought small amounts of materials, and at appropriate times would contract with a mason to build the house piece by piece. A man who she had cared for when he was a child helped out on the construction from time to time, and when she needed to transport large materials she would contract with a local informal transporter. The house was built over the course of two years, the completion date of November 1, 1997 carved into the stucco on the kitchen wall by a grandson who had helped on the construction. She used the same process to build an addition to the house, completed in 2006.

The story of Patricia is an example of the way that remittance households save up over the years to gather the capital to fund housing improvements incrementally. These remittances also enabled her to purchase land for housing and a plot of land to feed her and her husband. She saw it as a gift from her children, commenting, “I haven’t bought anything that I have here. Everything I have was given to me by my daughters.”

Her story is also representative of a pattern of female involvement in the improvements process, a phenomenon that almost never occurred in non-remittance households. Patricia was a grandmother who talked like a subcontractor as she recounted the process of building her home.

She herself said “I am a woman and a man” in reference to her responsibility for the traditionally female role of caring for the home and the traditionally male role of building the family home.

#### **4. Stephanie – wife of a migrant abroad**

Stephanie and her three children live in an attractive house near the river. The house was built by her husband over the course of three years, and finished in 2004. Her husband had worked for 19 years managing a local food business, and had saved from his earnings to gather the capital necessary to build the house. Her husband inherited the property from his father. He worked on his own or with friends on the weekends to build the house over the course of about two years. Stephanie said that her husband was frustrated with the pace at which he was able to save, and hence the pace at which he was able to carry out the construction of the house. When the basic house was complete, her husband decided to leave his job – where he had worked since the age of 14 – and migrate to Denver. His motivation, she said, was to save enough to build a kitchen and add another bedroom to the house, and to provide his mother with additional income. In Denver, her husband got a job in construction that paid \$80 a day. His weekly salary at the food business was \$50. Incidentally, the food business shut down once her husband left. Now her husband sends her \$200 monthly, and is saving for future phases of improvements to the house. This example shows how families see migration as an opportunity to expand the household’s options for housing improvements. Even though her husband had succeeded in accumulating the capital to build a house for his family, he judged the process too lengthy to go through again. He opted to migrate, seeing this as a strategy that would allow him to support his family, augment his mother’s income, and save up to do further work on the house. Stephanie was not sure when her husband would return, however, not knowing how long it would take to satisfy these goals. She commented that her husband had taken almost three years to pay back the loan that had paid for the trip to the U.S., so he was just now starting to save for the house.

#### **5. The Rosado family –savings with some remittances for housing improvements**

Elena, 41, and her mother Alma, 63, live in a small house in the center, the front entranceway serving as an ad-hoc restaurant and store with a small table and some basic household goods for sale. Their income is from this store, and from the sporadic work that Alma’s husband, Mario – who is 59 years old – does when his health permits. Elena’s teenage daughter lives in the United States. Elena thought that she was not going to survive a serious health condition three years ago, and sent her daughter to live with relatives in Boston. She calls it one of the most difficult decisions she ever made, and her anxiety over the decision was amplified by the clandestine crossing of the Mexican border that her 15 year old daughter would have to make. Her daughter was caught at the border, but eventually released and now lives as an undocumented immigrant in Boston, where she recently completed high school.

Elena survived the medical trauma. Her daughter worked to help her mother with remittances as much as she could, as did other relatives in the U.S. When her medical condition improved enough, she and her mother and Mario turned their attention to making repairs to their house, in which a wall had nearly fallen in due to a poor structure. Mario had been saving for six years, and had \$500 to spend on housing improvements. Elena and Alma each contributed \$100 to the project, as did Elena’s daughter in the U.S. The mason who did the work loaned the family the

remaining \$200 that it would cost. The \$900 that they spent built a new brick exterior wall, poured a concrete floor down over the original dirt floor, and stuccoed one of the sections of the house. Mario bought the materials over the course of four months, and worked full time alongside the mason to finish the six week project.

The Rosado family is an example of how a remittance receiving family may be at an advantage not necessarily because a migrant directly funds improvements, but because migrants allow family members to save some and not deplete that savings when crises arise. When Elena and Alma had medical problems, family abroad helped out with some of the medical costs, between Elena's daughter, a granddaughter of Alma, and other family. They explained that Mario would likely have had to spend his savings to address these medical needs had there not been a source of migrant remittance income.

The family had not addressed all of its problems, though. They still wanted to stucco the house, to replace weak walls with brick, and to get a new roof. Most of all, they wanted to secure the title to the property, which was not regularized even though they had lived there for nearly 35 years. Their savings were directed toward these future goals.

## **6. Valentino – example of a non-remittance household that built a new house**

Valentino, like many of his neighbors, is a farmer who works his own land to feed his family and earns most of his cash by working as a day laborer for large landowners.<sup>192</sup> He lives with his wife and three children in an attractive adobe house that he built in 1996. Valentino has a brother who lives in the United States, but his brother only sends occasional gifts and no cash remittances.

Valentino said that he was able to build his house because he cashed in on land that he had received right before the end of the civil war in 1992. He sold this land in 1995 to raise the funds to buy the plot where his current house stands for 3,500 *colones* (\$400). Before building their current house, Valentino lived with his in-laws.

The land sale also allowed Valentino to hire laborers to trench out the side of the hill where the house would be located, and to help him build the adobe walls of the house. He coordinated the purchase of materials, paid the workers, and worked alongside them to build the house when he wasn't working in the fields. He used the money to build a well also, and on his own he designed and built an attractive trellised garden that extended a canopy across the entryway to the property.

Valentino himself said that it would have been impossible for him to buy the land and build the house had he not had the capital that came from the land sale. He had further plans to improve the house – fixing the roof and stuccoing over the adobe among them – but expressed that it would be take a long time for him to gather the money for these improvements. He seemed resigned to this, but did mention that he had considered migrating to the United States to raise the money to make further additions to the house.

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<sup>192</sup> Valentino's was one of the households surveyed, but his improvements were not analyzed in the sample, since they were done previous to 1997. His story is illustrative of how a family can build a house without remittances.