REMITTANCES SENT FROM SPAIN: ANALYSIS OF THEIR IMPACT ON THE RECEIVING ECONOMIES

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There are diverse reasons for people to emigrate, but we can say that migratory movements are influenced by spatial differences in employment opportunities. Spain is no exception to this. Throughout this article we will see how the Spanish economy was part of the European economic periphery in the 1960s. This situation saw the creation of insufficient jobs to employ the potentially growing workforce in Spain, thus the country became an important migrant-sending country. This position saw a radical change in the mid-1990s when the growth experienced by the Spanish economy turned the country into a receiver of immigrants.

Upon completion of the Second World War there was an unprecedented economic recovery in Central and Northern Europe. During the same period, these countries concluded their demographic transition, which resulted in a slowdown in population growth. In this economic and demographic context, the demand for labour in the countries of Central and Northern Europe overtook domestic supply, so that these economies were forced to resort to the use of foreign workers. These workers largely came from the Southern European countries, mainly Spain, Greece, Italy and Portugal, where economic growth was much more moderate and the population growth was higher. However, this economic growth model entered a crisis period following the increase in oil prices in 1973. In this context, the countries of Central and Northern Europe began to register high and rising unemployment rates, which reduced the demand for foreign workers.

From an economic standpoint, the migration flows of post-war Europe were beneficial for both host and migrant-sending countries. The receiving countries benefited from growth rates that would not have been possible without the contribution of foreign manpower. These workers also took the worst jobs thus favouring the rise of the local workforce. On the other hand, the migrant-sending countries were relieved of their unemployment and underemployment and the arrival of remittances was used to drive the industrialization process.

European capitalist economies only showed signs of recovery in the mid-1980s. Nevertheless, once the crisis situation was overcome, there was not any significant flows of ejected
workers in Southern Europe, mainly because the economic, political and social changes that occurred in the Southern European states favoured the retention of native people. In the economic field, the entry of Greece into the European Economic Community in 1981 and that of Spain and Portugal in 1986 channelled a significant amount of structural funds into these economies. This fact had an impact on economic growth and job creation. On the political-social side, the end of the Portuguese Salazar dictatorship in 1974 and Franco’s death in 1975 brought expectations of change after the implementation of welfare states similar to those in the developed European countries.

These economic, political and social changes caused a shift in the migratory trend in Spain, going from being a migrant-sending to migrant-receiving country. The mid-1980s saw an increasing number of foreign residents in Spain. There is a much faster growth in the early years of the 21st century. This increase coincides with the boom in the Spanish economy, which grew at 4% a year during the period 2001-2006, while the average EU-15 was only at 2%. In this period, the number of foreigners in Spain rose from 2 to 4.5 million.

As in post-war Europe, the increasing number of foreign workers in Spain has had a significantly positive impact, both on Spain and on the migrant countries of origin. Indeed, the arrival of foreign workers allowed the Spanish economy to grow at a rate that would not have been possible without the employment of these workers. In addition, the arrival of foreigners led to a growth and a rejuvenation of the population and therefore Spain was able to break away from a bleak demographic outlook that the international agencies had forecast for the country in the early 1990s. Notwithstanding, the foreign contribution is not only limited to the receiving country, but also the country of origin, mainly through remittances. In this sense, the growing number of foreigners in Spain has placed the country among the major emitters of remittances, being ranked eighth in the world standings in 2009.

The positive and negative effects of remittances have been widely dealt with by numerous researchers and international agencies. By way of illustration, in Benin, 2006, the International Organization for Migration held a Ministerial Conference of the Least Developed Countries on the impact of remittances for development. The final report lists the main benefits and potential costs of remittances. In relation to the potential benefits, the report indicates that remittances are a source of foreign exchange or foreign currency that facilitates international trade and helps to finance the external debt; they are a potential source of saving for capital formation and development; they improve the standard of living for the beneficiaries; they reduce income inequality, and reduce poverty. With respect to the potential costs, it is indicated that remittances pressure governments in the sense of reforms to reduce external imbalances; they reduce the savings of the beneficiary families and thus adversely affect growth and development; they reduce the productive efforts of beneficiary families and, in this way, they adversely affect growth and development; they increase income inequality and that causes migration and brain drain bias which is not offset by remittances.

In the 1990s there was a chain of thought that advocated the idea that remittances create dependency on the receiving country because they raise people’s material expectations and in order to satisfy them people focus on the emigration strategy. They also indicate that remittances improve the living standards of those who receive them but they do not significantly make an impact on the development of the country as a whole. In contrast, other researchers argue that remittances are the main external source of financing development, exceeding
the amount in most Third World countries coming from Official Development Assistance (ODA) or the Foreign Direct Investment (FDI). Currently, the term co-development is also mentioned in issues related to immigration, remittances and development. On the other hand, during the past two decades new co-development initiatives have started emerging in relation to remittances, attempting to link remittance sending to development in the receiving countries.

In this article we are going to analyse the sending of remittances sent from the Spanish economy. Firstly, we will provide data that enable us to know the evolution of annual volume of remittances, specifying the nationalities engaged in money transfers. Nowadays, South America is the main receiver of remittances from the Spanish economy, thus it also highlights the nationalities that have a greater presence as foreign residents. Nevertheless, the analysis of remittances by nationality has allowed us to observe the importance of other countries. One factor that determines the volume of remittances in each country is the number of foreign residents of that nationality, although there are other variables that influence the reduction of remittances (family reunification) or an increase in family members (extended families in the country of origin). In addition, other variables, such as the foreigner’s marital status, can have a positive impact on remittances (if married role prevails) or negative (if single role prevails). In fact, when we calculated the remittances per capita by nationality we observed that countries with a low value of total remittances actually had a high value of remittances per capita, a result that was conditioned by the above said variables. It must be noted that these calculations have been carried out with official data, in which remittance sending is underestimated. As a matter of fact, the true remittance sent by each nationality will vary from the official figure every time the greater part of the remittance is sent through informal channels. So, taking the development of future research into account and given the deficiencies detected in official statistical sources, it would be important to estimate the informal remittances through field studies or, for instance, through surveys of the different immigrant nationalities.

This is, therefore, the first step towards the difficult study of remittances. This is a subject requiring further research and it would be important to discover the use of remittances in each country. It would also be important to attempt to design ways to channel part of remittances towards the development of these economies. There is no doubt that remittances can have a positive impact on economic growth in the countries that receive them but policies must be designed to facilitate occurrence in this process. On the one hand, governments of countries receiving remittances should create mechanisms to channel remittances into productive uses and, on the other hand, emigrant communities must develop strategies that promote organisational development in their countries of origin. Moreover, the positive effect of remittances would increase if there were greater cooperation in the development with the emigration countries. Notwithstanding, when remittances are not used for productive uses, the repercussion can be very negative inasmuch as the beneficiary families’ saving and productive effort is reduced, thus negatively affecting the growth and development of the country, and increasing inequality among families receiving remittances and those who do not and it can generate more emigration.

Finally, we cannot fail to notice that at the time of finishing this article, we are confronted with a new scenario. The current economic crisis and unemployment are causing a shift in
Spain’s migration flow. Not only do we find a return of immigrants to their countries of origin but also we are registering a new Spanish flow to other countries. Nevertheless, there is a differential factor in current Spanish migration flows and that is, unlike what happened in the 1960s, the current migrants are highly qualified, something which will undoubtedly have negative repercussions on Spain’s future.