Does the desire to remit foster integration? Evidence from migrants in Spain

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HIGHLIGHTS

- We study the relationship between remittances and integration at destination.
- We use changes in macroeconomic variables as instruments.
- The desire to send remittances intensifies social activities and hence social integration.

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ABSTRACT

We enquire empirically how migrants' desire to send remittances back home fosters integration at destination. Starting from a model by Stark and Dorn (2013) in which the aspiration to remit is shown to induce migrants to acquire costly host-country specific social and human capital in order to obtain higher income, we measure migrants' integration effort by social participation. Our results confirm the theoretical model.

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1. Introduction and literature review

Spain received massive migration in the past decades. Upon opening up the economy after the Franco regime the proportion of foreign-born population rose from 1% in 1990 to over 12% in 2010. Hence, the integration of migrants into the host country is an important challenge for Spain as well as for other European countries. Taking into account that integration has several positive impacts for the migrants as well as for the receiving country, an important question is then: what fosters integration? Strong family ties to the home country are often considered to hamper integration. Migrants may perceive their stay in the host country as temporary, and consequently expend little effort to integrate (Huntington, 2004; Stark and Dorn, 2013). However, these ties also increase the desire to send remittances. Stark and Dorn (2013) develop a framework in which the opportunity to send remittances induces migrants to generate more income. The incentives to build up host country specific social capital increase which fosters integration. The higher the level of altruism of the migrant, the greater the desire to remit, and hence the effort to acquire social capital. In fact, migration is often at least partly motivated by the desire to remit to household members.

Integration is an outcome of a process. An important determinant is intercultural contact which can be viewed as a measure of migrants' integration effort (Achakra and Leon-Gonzalez, 2015; Constant and Massey, 2002; Stinner and Van Loon, 2010; Danzer and Ulku, 2008). It involves interaction within public and private spheres and these activities foster personal and collective identities (Couton and Gaudet, 2008; Stark and Jakubek, 2013). Hence, it matches our understanding of integration as a process by which an immigrant acquires the culture and norms of the host country as well as destination specific social capital.

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Table 1
Summary statistics by groups.

	Full sample		Social Part.		Remit	
	Mean	Std. Dev.	Mean	Std. Dev.	Mean	Std. Dev.
Controls						
Female	0.548	0.498	0.535	0.499	0.530[*]	0.499
Age	37.37	10.76	39.71[*]	11.05	35.51[*]	9.26
Secondary education	0.530	0.499	0.492[*]	0.500	0.556[*]	0.497
Tertiary education	0.219	0.413	0.383[*]	0.486	0.157[*]	0.364
Years Abroad	12.26	11.76	16.12[*]	13.28	6.84[*]	4.84
Married	0.552	0.497	0.572	0.495	0.536[*]	0.499
Income	734.7	785.6	881.6[*]	1036.2	752.2[*]	614.2
Spouse at origin	0.047	0.212	0.022[*]	0.147	0.096[*]	0.294
Child at origin	0.107	0.310	0.066[*]	0.249	0.193[*]	0.395
Mother at origin	0.528	0.499	0.418[*]	0.493	0.732[*]	0.443
Father at origin	0.414	0.493	0.330[*]	0.470	0.555[*]	0.497
Brother at origin	0.445	0.497	0.407[*]	0.491	0.559[*]	0.497
Number of children at home (Spain)	0.301	0.803	0.182[*]	0.638	0.551[*]	1.024
Employed	0.888	0.316	0.890	0.313	0.953[*]	0.213
Instruments						
Change in income	0.213	0.770	0.207	0.912	0.223	0.551
Change in unemployment	−0.084	0.087	−0.081	0.080	−0.088[*]	0.087
Number of Obs.		12 207		1724		4928

[*] Individuals belonging to the stated group (i.e. migrants who participate in the social activities or remit) are significantly different from those not belonging to these groups (two-sample *t* test, significance level 0.05).

Table 2
Social participation by groups (in percent).

	(1)	(2)	(3)	(4)	(5)	SP
All migrants	3.70	2.20	3.68	5.03	2.80	14.12
Remitting migrants	2.31	2.37	2.08	2.82	1.90	9.74

For group definition see main text. SP is the aggregate variable of social participation.

Our work contributes to the integration and remittances literature by testing a new theory among the relationship between them. Using social participation as a measure of migrants' integration effort, and in accordance to the (Stark and Dorn, 2013) model, our hypotheses are that (1) social ties with the home country should decrease social participation generally, but (2) the desire to remit should increase it. To the best of our knowledge, we are the first to evaluate empirically a new channel that may foster integration, namely the desire to send remittances.

2. Data and descriptive statistics

We use the Spanish National Immigrant Survey 2007 (ENI) which is a retrospective micro database on non-native current residents of Spain (source: INE, www.ine.es). After accounting for missing observations and restricting the sample to individuals aged 18–65 and to those who arrived in Spain before 2006 we end up with a sample of 12,207 migrants. Migrants are on average 37 years old, 75% have at least secondary education and 27% have obtained Spanish citizenship. Nevertheless, ties with the source country are strong. Almost 53 and 41% have left their mother or father, respectively, in the origin country, and 11% have at least one child left at home (Table 1).

The two main variables of interest are remittances and social participation. The former is a dichotomous variable equal to one if the migrant has sent remittance in the year preceding the survey and zero otherwise. The latter is an aggregate variable equal to one if any of the following questions is answered affirmative: "Do you participate in any of the following groups or associations that are not specifically dedicated to foreigners? (1) NGO; (2) religious groups; (3) educational/ cultural groups; (4) sporting associations; (5) other social groups" (see Table 2).

Migrants who participate in the social activities or who send remittances differ significantly from those that do not (Table 1 column 4 and 6). While the migrants belonging to the former group have spend on average a longer time in the host country and have less ties with the source country, the opposite holds true for remitting migrants.

3. Methodology

We seek to test an implication derived from Claim 1 in Stark and Dorn (2013): "A migrant who is altruistic enough to remit exerts more effort to assimilate than a non-remitting migrant". Stark and Dorn (2013) propose to approximate integration[1] by the extent to which migrants learn and acquire the culture, norms, and customs of the host country, hence the extent of social participation. The baseline model is specified as follows:

$$SP_i^* = \beta X_i + \alpha R_i + \sigma_r + \varepsilon_i, \tag{1}$$

where X_i refers to migrant characteristics that may affect integration behaviour. The level of education has an important impact and its quality depends on the country of origin. Hence, we include dummy variables for secondary and tertiary education but also its interaction with the classification of the country of origin.[2] Moreover, X_i includes ties to the home country as dummy variables indicating whether the mother, the father, children, brothers live in the home country. The term R_i measures the likelihood to remit. The vector σ_r are region of origin fixed effects, and ε_i is the standard error term. The dependent variable SP_i^* measures the extent of social participation. We construct a dichotomous variable SP_i capturing all possible forms of social participation. The term SP_i^* is a continuous underlying or latent variable. We do not observe it directly, but it has an observable realization of one if SP_i takes on a positive value, and zero otherwise:

$$SP_i = \begin{cases} 1 & \text{if } SP_i^* > 0 \\ 0 & \text{if } SP_i^* \leq 0. \end{cases} \tag{2}$$

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[1] I.e., assimilation in Stark and Dorn (2013).

[2] The countries are classified as follows: "Developed countries", "Andean countries", "other Latin American countries", "Africa", "Rest of Europe, Asia and Oceania".

In the absence of a random assignment, we use an instrumental variable approach (IV) that allows for identification of the effect of the aspiration to remit as follows:

$$R_i = \beta X_i + \gamma Z_i + \sigma_r + \epsilon_i, \qquad (3)$$

where Z_i is a vector of instrumental variables. Here, identification of the causal effect (the local average treatment effect) relies on instruments that exploit information on the country of origin. As first instrument we use changes between 2007 and 2006 of the adjusted net national income per capita (current US$) obtained from the WDI. As second instrument we create a variable measuring changes between 2007 and 2006 of total unemployment (% of total labour force) which refers to the share of the labour force that is without work but available for and seeking employment.[3] A drop in the income level as well as a higher unemployment rate should induce altruistic migrants to send (more) money to their families.

4. Results

The probability of sending remittances is estimated in the first stage (column 1, Table 3). The key instruments are significant at the 0.05 and 0.01% level suggesting that instruments provide strong support for identification. An endogeneity test confirms the necessity to identify causal effects: remittances are highly correlated with the error term in the main equation. The Hansen test does not reject that the error term is uncorrelated with the instruments, which suggests that our instruments are valid.

The second column of Table 3 presents our main results. The larger the number of relatives who are left in the home country, the less likely the migrant participates socially. This is in line with the literature: strong ties to the home country reduce migrants' effort to integrate. Yet, the impact of remittances is positive. As predicted by Stark and Dorn (2013), the desire to remit induces migrants to participate socially.

If the first instrument "Change in Income" decreases by one standard deviation (=0.77) the likelihood to remit increases by 0.62 percentage points. An increase in the second instrument "Change in Unemployment" by one standard deviation (0.087) increases the likelihood to remit by 2.05 percentage points. This results in an increase in the likelihood to participate socially by 0.264 and 0.878 percentage points, respectively, which corresponds to an increase of 1.872 and 6.214% in relative terms. If the instruments are both altered by one standard deviation the increase is $1.872 + 6.214 = 8.086\%$.

Social integration should be more relevant for younger and less educated migrants. We included interaction terms of "Remit" with "Age", a dummy indication old migrants (older than 45 years), and with secondary and tertiary education ("S" and "T"), respectively. Results provide weak support: the remittance coefficient is significant and larger in each regression indicating a stronger impact on the young and low educated. The interaction terms are – as predicted – all negative but not significant.[4] As further robustness checks we added "Spanish Citizenship" as a control and additionally focused on non-citizen immigrants. Magnitude and significance are highly robust to the inclusion of the control. Focusing on this group reduces the sample by 27%. Results remain similar, but the impact of remittances is lower and less significant.[5]

Table 3
Integration and remittances.

Dependent variables	Remit	Social participation
Remit		0.429**
		(0.205)
Change in income	−0.008***	
	(0.002)	
Change in unemployment	0.234***	
	(0.051)	
Female	0.003	−0.017**
	(0.007)	(0.007)
Age	0.012***	−0.007*
	(0.002)	(0.003)
Age²	−0.000***	0.000**
	(0.000)	(0.000)
Secondary education (S)	−0.011	0.115***
	(0.012)	(0.017)
Tertiary education (T)	−0.058***	0.274***
	(0.014)	(0.025)
Years Abroad	−0.008***	0.009***
	(0.001)	(0.002)
Years Abroad²	0.000***	−0.000***
	(0.000)	(0.000)
Married	−0.017**	0.016*
	(0.008)	(0.008)
Log income	0.004***	−0.001
	(0.001)	(0.001)
Spouse at origin	0.155***	−0.085**
	(0.018)	(0.035)
Child at origin	0.095***	−0.056*
	(0.017)	(0.024)
Mother at origin	0.146***	−0.081***
	(0.010)	(0.032)
Father at origin	0.017*	−0.012
	(0.009)	(0.009)
Brother at origin	0.043***	−0.016
	(0.008)	(0.011)
Number of children at home (Spain)	0.067***	−0.036**
	(0.007)	(0.015)
Employed	0.173***	−0.086**
	(0.013)	(0.038)
R^2	0.362	−0.172
Obs.	12 207	12 207

Standard errors in parentheses.
$F(2, 12\,176) = 15.43$; Hansen P-val $= 0.266$; Endogeneity P-val $= 0.007$.
Regressions include a constant, region of origin dummies as well as its interactions with S and T.
* $p < 0.10$.
** $p < 0.05$.
*** $p < 0.01$.

5. Conclusions

Our study contributes both to the acculturation literature and to the remittances literature. Starting form the model of Stark and Dorn (2013), we test empirically how the desire to remit could become a new channel for fostering integration. Our results are in line with theoretical predictions, confirming that as the desire to send remittances induces migrants to obtain higher income, their incentive to build up host country specific social capital is strengthened, and integration is thereby intensified. Our results suggest that this channel is not only significant but relevant: if our two instruments are both altered by one standard deviation the likelihood to participate socially increases by 8.1%.

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[3] Sources: ILO, Key Indicators of the Labour Market database. We measure both instruments by changes from 2006 to 2007, namely $\frac{var\ in\ 2007}{var\ in\ 2006} - 1$.

[4] Regression results can be obtained from the authors upon request.

[5] Regression results can be obtained from the authors upon request ($\hat{b} = 0.263$, robust p-value$= 0.070$).

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