THE IMPACT OF MIGRATION AND REMITTANCES TO RURAL MIGRATION-SENDING HOUSEHOLDS: THE CASE OF THE LIMPOPO PROVINCE, SOUTH AFRICA[1]

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Abstract

The research question is to assess the contribution of migration to rural livelihoods through remittances to the migration – sending rural households. The paper presents empirical findings from a household survey conducted in the Limpopo Province of South Africa in 1999/2000.The survey covering 585[2] households in 24 villages.

The results indicate that migration is prevalent, and is a source of support for households to supplement their livelihood. The majority of migrants moved away from home to look for a job, with the first period of migration taking place between the ages of 15 and 30 (mean of 23). Remittances form a significant proportion (32%) of the total rural household income, surpassed only by salary and wage earnings (46%). Even though the amounts of remittances and their uses are extremely varied within and between countries, regions and even villages, they provide one of the important means through, which migrants maintain close links with the households left behind, and contribute significantly to the livelihood of a large proportion of the rural population. On the average, local wage and salary income contribute almost R17 230 per annum. This is by far the dominant source of income; it is followed by migrant remittances (cash and goods), which average R14 342 per annum.

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[2] Only 573 households are used for analysis due to incomplete data for 12 of the households

1. Introduction

Every year, many migrants find it worthwhile to leave their villages and migrate to towns, cities or other rural areas. The decision to move is usually a result of complex judgement where economic incentives, among other things, play an important role. While most of the economic theories and models embrace only the economic incentives as the driving force to migrate, the new economics of labour migration (NELM) models show the complexity of the migration decision making process that supports migration in the absence of a wage gap and is better analysed as a household rather than an individual decision. (Stark, 1991; & Stark and Bloom, 1985). The NELM hypothesises that rural households facing imperfect market environments decide whether or not to participate in migration as part of a set of interwoven economic choices (Taylor et al., 1996).

The impact of migration and remittances on sending households and areas are more complex than initially though. When the loss of labour to migration creates labour shortages, it can negatively impact on production, and thus, on non- –migration incomes, in migration sending areas. However, remittances have been shown to compensate for the loss of labour effects by adding to income in the migration sending households as well as generating "income multipliers" in the migration sending economies, by providing migration households with investment capital and increasing the demand for goods and services offered by others in the sending areas (Aldelman, Taylor, & Vogel, 1988; Subramanian & Sodoulet, 1990;Taylor 2001).

2. Literature Review and theoretical framework.

There are still a number of disagreements about causes and consequences of migration, some of which are linked to varying findings about levels of remittances and their potential impact on rural economies. The Indian village studies (Connell et al., 1976) showed that remittances were an insubstantial part of village income: *gross* town-to-villages remittances accounted for between 2 and 7 per cent of villages incomes (and less for poor labourers), and remittances often went into the reverse direction, to support education or job search. On the other hand, Roberts (1997, p. 275) quotes evidence about migrants from Hunan province, China, who earned 100-200 yuan per month and remitted and average of 1000 per year, and a 1993 survey according to which migrants earned an average of 3,649 yuan during 205 days worked away from home, while the rural per capita income was 922 yuan. Thus, the amounts of remittances show great variety according to specific situations in both home and destination areas.

In the cross-country EU Study, de Haan et al, found that very few Rajasthan-India migrants said they had never sent or brought money back home. On average, migrants contribute about Rupees (Rs) 20,000 to the households' income. Among the second migrants that migrated for work, remittances were still substantial, about Rs.14, 000 per year.

2.1 Does the new economics of labour migration (NELM) apply to the South African migration dynamics?

Policy makers and planners of development programmes are becoming increasingly concerned about the way migration-source communities and local economies are affected by migration. The "new economics of labour migration (NELM) literature, based on Asia and Latin American experiences, has provided a better model for analysis of migration as a household decision rather than an individual decision (Stark 1991; Taylor et al., 1996; Stark and Bloom, 1985, Singh et al., 1986). Such a decision takes place within a larger context, typical of the extended family system, consisting of individuals with diverse preferences and differential access to income.

Under normal circumstances individuals do not sever ties with their source households, which they still belong to. Since the source households participate in the migration decision they may pay migration cost and support the migrants until they become established at their destination. Family members who remain behind (often, parents, partners and siblings) may reorganise both their consumption and production activities in response to the migrants' departure.

On the other end of the bargain, migrants usually share part of their earnings with their households of origin through remittances. Continuing interactions between migrants and the rural households suggest that a household model is more appropriate than an individual level model of migration decisions. According to Taylor (2001), migrants frequently play the role of financial intermediaries for the source migration-households. For example, a household wishing to expand its agricultural enterprise to a commercial level may be lacking access to credit and income insurance. By placing a member of the household in a town labour market, the household gains access to liquidity (through remittances) and income insurance. Mutual altruism reinforces an implicit contract for mutual support between migrant and household. Equally, inheritance motives are an incentive to remit (i.e. non-remitting migrants may stand a chance of loosing their inheritance) and migrants' aversion to risk, which encourages them to honour their responsibility in order to receive support from the household should they experience an adverse income shock, such as unemployment or some other misfortune in the future.

Remittances received by rural households are said to have both direct, as well as indirect effects (Taylor and Wyatt, 1996). While they can directly increase income available for consumption, they can also play an important role in loosening the constraints on risk and capital markets the household is subjected to. In the absence of formal capital markets households are forced to self-finance investments in production assets such as farm implements and inputs (fertiliser, seeds etc), small businesses and self-insurance against income risks. Remittances can provide an effective mechanism to overcome these constraints without incurring the potential efficiency losses from *ex-ante* adaptation strategies on the income stage. The net effect of migration on rural incomes will, however, depend on the ability of the rural community to adopt and change traditional division of labour, and on the type of technological change that follows rural out-migration.

3. Research design and data source

The data used for this research come from a household survey conducted in the Northern Province (renamed Limpopo Province in 2001) of South Africa. Small-scale farmers of black African origin, practising dry land farming, mainly inhabit all the areas that were selected for the study. A total of 24 villages from the Central, Southern and Western Administrative regions of the Limpopo Province were sampled and a total of 585 households were interviewed (12 of the households were dropped from the sample due to incomplete information). Three of the villages were purposely sampled, while the rest were randomly selected and all the households were randomly selected. The sampled households represented a total of 4 338 persons or 5.16% of the total population in the 24 villages.

The data were coded and analysed using SPSS computer package, with descriptive and inferential statistics. Correlation and regression analyses were applied on the data to confirm the various causal relationships between the various variables, as stated in the hypotheses. The paper focuses on just one aspect of the study, namely, the contribution of migration remittances to household income assets.

4. Results and Discussion

551 persons, (13%) of the total population covered in the survey, are migrants. A total of 295 households (51.5%) reported that they have non-residents members. over half (53%) of the migrant households have one migrant member. The distribution of migrants by the six sub regions and three regions is presented in Table 1.

Table 1: Migrant(s) in households by sub-regions and regions of surveyed area

Sub-regions		**Hh without migrants: count & (%)**		**Hh with migrants: count & (%)**	**n**
Bochum		55 (59.1)		38 (40.9)	93
Seshego	37 (59.7)	25 (40.3)	62		
Schoonoord	36 (42.9)	48 (57.1)	84		
Prakttiseer	79 (57.7)	58 (42.3)	137		
Zebediela	21 (38.9)	33 (61.1)	54		
Western	50 (35.0)	93 (65.0)	143		
Total	278 (48.5)	295 (51.5)	573		
<u>Regions</u>					
Central		92 (59.4)		63 (40.6)	155
Southern		136 (49.5)		139 (50.5)	275
Western		50 (35.0)		93 (65.0)	143
Total		**278(48.5)**		**295 (51.5)**	**573**

Source: Survey results 1999/2000

Migrants in the Northern Province have similar usual characteristics (Oberai & Singh, 1983; Clark, 1986 and Testaye & Yisehac, 1998): predominantly men, young, moving primarily to find a job, although push factors like unproductive land were also quoted as motivation for migration, as was education. For the majority (87.4%), the first period of migration took place between the ages of 15 and 30 years, the mean age of first migration is 23.8 years, and a mode of 20 years.

In line with the new economics of labour migration (NELM) the survey findings show that while away from home 96.9% of the non-residents kept contact through visits or by sending remittances and they did not loose their right to use of the household assets, including land. The results indicate further that on the average 63.8% of the migrants would not want to settle elsewhere other than their current households. The majority, 76.1% migrants, do not intend to settle permanently elsewhere other than home. This validates the NELM rationale (Taylor et al., 1996) that under normal circumstances individuals do not sever ties with their source households to which they still belong. Continuing interactions between migrants and the rural households suggest that a household model is more appropriate than an individual –level model of migration decisions. It further suggests that migrants would like to improve their households left behind by investing back home.

Over half of the migrant households (50.3%) had enough people to take over the migrants' tasks. The responses on the effect of migration on family labour are in line with the NELM view that migration decisions take place within a family or household context and that the household members left behind reorganise themselves to accommodate the departed members tasks. On their part, the migrants compensate for their absence by sending home remittances in both cash and kind. Only 15.3% of the migrant households indicated that they did not receive any remittances at all; the rest receive remittances at varying degrees, some frequently (33.2%), others sometimes (38.3%) and some rarely (12.5%). In return for the financial support to their households non-residents received support from their household members. On average 58.4% of the households with non-residents rendered support to their non-resident. The majority of households were of the opinion that migration improves the financial position of the household. Only 12.6% of households viewed migration in a negative light arguing that it made the household worse off.

4.1 Remittances and their uses

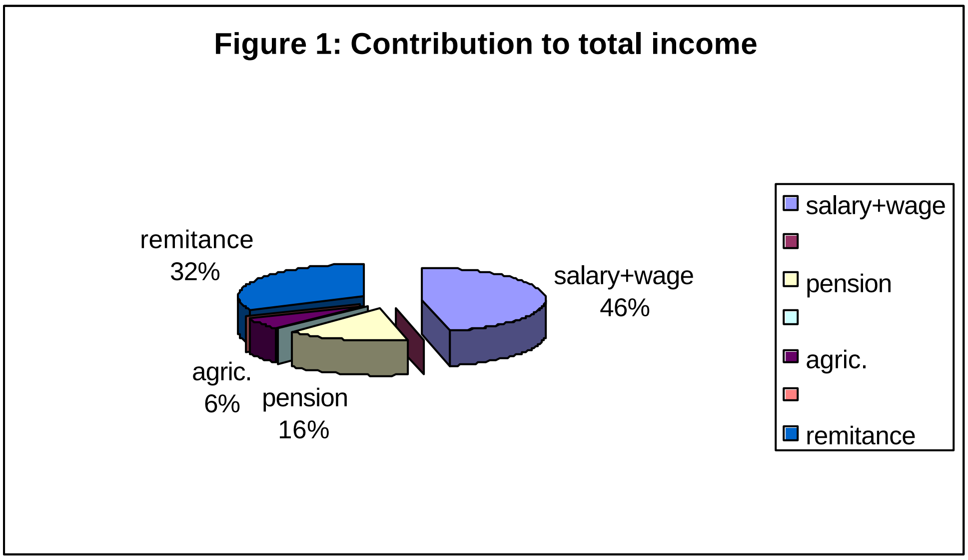
Migrants in the Limpopo Province contribute, on average, R7389 in cash per year. Many of the migrant workers also brought home goods ranging from R74 to as much as R26 000 in value per annum. Taking the in-kind contribution into consideration total migrant remittances is, on average, valued at R14 342 per annum per household. The cash contribution ranges from R200 to R73 600 per annum. 48.5% of the households did not have any migrants. The average share of remittances in household income among households with migrants is 25.64%. These are quite substantial amounts especially to households who have little or no income from other sources. A summary of the migrants' contribution to the household income is presented in Table 2.

Table 2: Migrants' contributions to household income

# of households with income contribution from migrants	295 (51.5%)
Mean cash contribution (annual)	R7389
# of households with 2 migrant workers	70 (12.2%)
# of households with 3 migrant workers	43 (7.5%)
Value of goods brought home by migrant workers (annual)	R74 – R26 000
Mean total migrant remittances (including 'in-kind' contributions) annually	R14 342
Mean per capita total remittances (annual)	R2 125
Range of mean per capita total remittances	R38 – R19 730
% of hh which receive > R800 per resident per annum	25%
% of hh which receive > R2600 per resident per annum	75%
Standard Deviation of average per capita total remitances	2337.008

Source: Survey results 1999/2000

The aggregate of all the sources of household income gives a picture of the total household income. Figure 1 presents a summary of the different sources of household income and their contribution to the total household income. On the average, agriculture (including subsistence production) is contributing a mere R2621 to total household income, while local wage and salary income contribute a substantial average per annum of almost R17 230. This is by far the dominant source of income,it is followed by migrant remittances (cash and goods), which average R14 342 per annum.



Source: Survey results 1999/2000

5. Conclusion and recommendations

Migrants play a role of financial intermediaries, bankrolling local production through remittances. Such remittances sent to rural migration –sending areas have potential to enhance and contribute to development, not only of the migrant households, but also of the entire migration sending- areas through multiplier effects of the remittances. For individual households, if remittances contribute to income directly and stimulate investments in local production, the incentives to participate in migration are larger than if the remittances did not stimulate production. The migrant households have potential to improve and increase agricultural production and incomes from agriculture since they can access capital assets and skills. However, for that to happen, migrant households require more land (bigger sizes and of better quality). Migrants in South Africa have a strong interest in acquiring land to subsidise earnings from wages and small businesses. In the migration sending economies, of which these households are part, remittances may create new income opportunities for non-migrants, by increasing the demand for goods and services non-migrants supply.

The implications of the above scenario to the land reform programme (LRP) in South Africa is that it needs a mechanism for delivery of land to those who need it and who can utilise it, including migrants-households. Inequality of land, materials and opportunity are sensitive issues in South Africa; it is essential that policy actions that are likely to alter land and related productive assets are based on concrete information on the various synergies to ensure maximum success.

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