

The Remittance Boomerang:

Are Mexican migrants in the United States receiving money from their relatives to tide them over until bountiful times return?

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“Sell two or three cows, and try to sell the piece of land up the hill. Please rent my house and go live a la casa grande with our madre,” instructs Marcelino Casas, a Mexican migrant living in the U.S.



▲ Cattle owned by Mexican migrants living in the U.S.
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▲ A liquor store in Mexico owned by Mexican migrants. © IOM 2009 - MMX0009 (Photo: Kathya Quiroz)

This and similar telephone conversations are taking place between Mexican migrants in the United States and their relatives in Mexico.

During the bounty years in the U.S., some migrants earned enough to open up savings accounts in Mexican banks, buy land, and build houses. Others started small businesses in their hometowns in partnership with brothers and sisters in Mexico, including: cattle breeding, agriculture, video rentals, Internet cafés, clothing, jewelry, grocery and liquor stores, and money lending.

While others made just enough money to survive in the U.S. and to rigorously send remittances to their families back home.

Remittances to Mexico

Between 1997 and 2007, remittances from the U.S. to Mexican families soared from US\$6.8 billion to US\$24 billion. This last sum exceeds the value of all agricultural exports, is on a par to

tourism revenues, and in some years, far exceeded oil exports and foreign direct investment.

The number of Mexican families depending on remittances from the U.S. reached 2.7 million in 2008; with an average of US\$600 received each month. The majority of the recipients use the money to pay for basic needs: housing, food, utilities, health, education and clothing.

A Crimp in the Flow

The U.S. recession sent its first message over the border at the end of July 2007, when more than 100 construction companies and contractors cut the number of hours of most of their workers. Many irregular Mexican migrants were employed in the construction industry, so they were the first to lose their jobs without the lifeline of unemployment insurance.

Remittances from the U.S. to Mexico decreased by about 8 per cent in the last semester of 2008. The downward trend

continued in the first semester of 2009, registering a 12 per cent decline.

News of the financial crisis and the inevitable recession spread all over the world.

The reply of the U.S. consumer was to cut down on entertainment and other services; and with another large portion of Mexican migrants –regular and irregular, working in the service industry, another wave of job losses or reduced hours hit the workers.

The lucky ones are the estimated six million regular Mexican migrants who are covered by unemployment insurance. But how are the estimated seven million undocumented Mexican migrants coping? How are they paying their mortgages or rent, their credit cards and cars, not only in the U.S. but also in Mexico?

Remittance Boomerang

In the ten years that I have studied migration all over the world, and



one. They have worked hard and saved so that one day they could return to Mexico, as they planned from the very beginning.

In the past 15 years, their hard work allowed them to build a house, which is rented, and to invest in a grocery store in Jalisco. They also bought some cows. All of their assets in Mexico are managed by a brother and his wife. The rental income and the earnings from the grocery store are deposited in their Mexican bank account. They have always sent remittances to both of their mothers, but now that they are earning less and cannot send remittances, the money that was deposited in the bank is going in equal parts to their respective mothers.

A Single Male Migrant in Oregon

Florentino Casas is an undocumented single man with no children. He lives on a small cattle ranch in the State of Oregon where he works 14-hour days. His boss provides housing and food, so he sends most of his earnings to his mother in Mexico. His dream is to own a similar ranch in Mexico.

Although Florentino was not affected by the financial crisis, he was seriously affected by a calf's kick straight to his testicles.

He spent five days in hospital and was told to stay home for two weeks. That meant three weeks without pay and without remittances to his mother, who is highly dependent on the money. He also has to think of the 40 cows that he owns in Mexico that must be fed and of the salaries for the young farm hands who work on his land in Mexico.

And so Florentino calls home to sort out money matters in Mexico: "Sell two or three cows, and try to sell the piece of land up the hill. Also, please rent my house and go live *a la casa grande* with our *madre*," instructs Florentino.

His investments in Mexico are allowing him a short respite until he is able to return to work.

A Mexican Family in Santa Ana, California

A couple, who reside legally in the U.S. with their two young children, work, own their home and cars and have acquired credit cards. They also own a house in Mexico. The rental income from the house in Mexico is deposited

into a bank account which was set up to be used for yearly Christmas vacations to Mexico. But the man was laid off in June 2008, and although he received unemployment insurance for six months, the amount was not enough to pay all of the bills. So he decided to return to Mexico temporarily and got a job as a truck driver. He shared a house in order to send most of his salary to his wife in the U.S. to pay the bills, but they also had to dip into their Mexican savings. His wife continued working in the U.S. and with her salary and the money received from her husband's unemployment insurance and his temporary job in Mexico, they managed to meet all of their obligations. And although they were not able to take their yearly vacation to Mexico in December 2008, they are holding on to their house in the U.S. and are thinking of selling their home in Mexico.

The third example constitutes the one single case that I have come across where reverse remittances are helping migrants in the U.S.

But for the most part, reverse remittances from Mexico to the U.S. constitute money that was saved, invested or lent by Mexican migrants living in the U.S.

Migrants are not sending the same amount of money to their relatives in Mexico, but this does not mean that they are getting a lot of money sent back to them in the U.S.

We have heard a couple of anecdotes of Mexican families working or selling their properties to send money to their relatives in the U.S., in order to help them weather the unemployment storm. If these cases are true, they are isolated and very unique.

Our research shows that it is the migrants' money that is being sent back to them in the U.S. to tide them over until bountiful times return. **M**

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particularly in Mexico, this is the first time I have seen reverse remittances. It is happening, but in very restrained and different ways. The financial structure to send money to the U.S. from Mexico is not well established. To send money to the U.S., the sender must buy US Dollars and then pay a fee to wire the funds, and for most Mexicans this is considered a very sophisticated transaction.

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A Mexican Family in Sacramento, California

An undocumented couple, who has lived in the U.S. for the past 15 years and have two U.S.-born children, work in restaurants: she as a waitress and he as a cook. Before the financial crisis, they both had two jobs: he held two full time jobs for more than six years, and she worked three days a week in one restaurant and three days in another