

Remittances from Canada and Diaspora Engagement: State of the Research

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This briefing note serves to summarize recent research on the topic of remittances in Canada and provides preliminary estimates of the total amount of remittances flowing abroad from Canada each year. It also provides some insight into recent initiatives intended to better engage diaspora communities in Canada with the economic development processes in their home countries. The note builds upon the handful of preceding research initiatives or policy-related events on these topics in Canada and therefore underlines the importance of increasing our collective understanding of diasporas as well as the size, determinants and impacts of remittances leaving this country.

The Challenge of Measuring Remittance Flows from Canada

According to Balance of Payments data available online through Statistics Canada, “private remittances” from this country amounted to CAD\$5.07 billion in 2006, up from CAD\$3.85 billion in 2005 and CAD\$3.80 billion in 2004 (Statistics Canada, 2007). However, these official estimates of private remittances, used by the Bank of Canada, appear to underestimate the flow of remittances from private sources such as Canada’s immigrant population. Statistics Canada considers private remittances to include personal and institutional remittances that cover pension payments made by the Canadian government to non-residents (notably Canada pension, child tax benefits, old age security and veterans’ pensions); personal remittances abroad by Canadian residents; and remittances by religious, charitable and academic institutions. The Canadian figures therefore differ considerably from the International Monetary Fund’s (IMF) definition of remittances (workers’ transfers, compensation of employees and migrants’ transfers). Moreover, as recently as 2005 it was reported to the Multilateral Investment Fund’s (MIF) Remittances International Steering Committee that Canada did not publish data on remittances or any of its sub-components due to a lack of data and/or poor data quality.” (Statistics Canada, 2005). Perhaps as result, there exist competing understandings of how much individuals are sending abroad from Canada on an annual basis.

VISA International, for example, believes that annual flows of migrants’ remittances amount to approximately CAD\$9 billion, and the Bank of Montreal has indicated that over half of newcomers to Canada send money home on a regular basis during their first five years in the

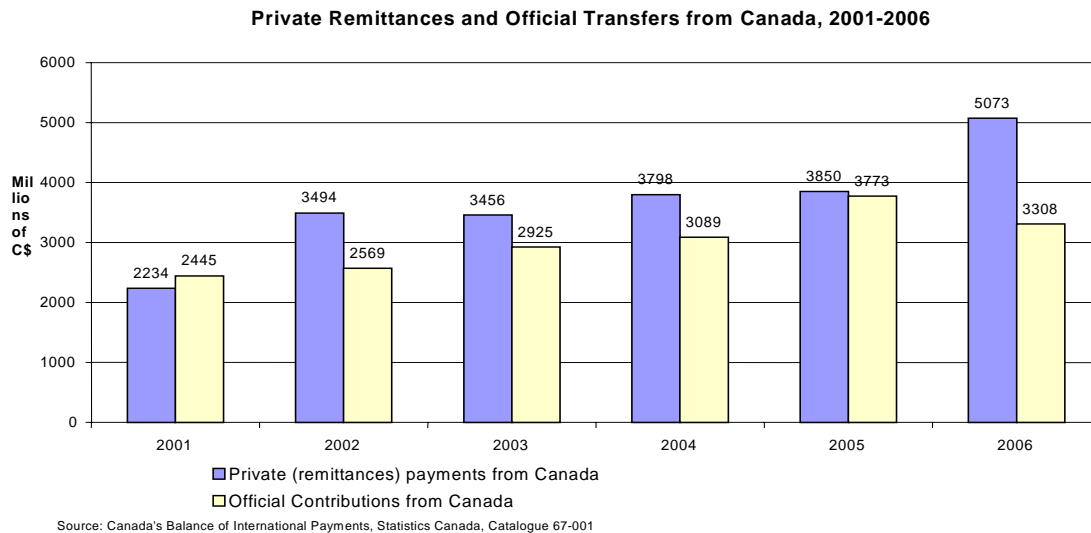
country (Grant, 2007). Rudi Robinson (2005) from Ottawa's North-South Institute would tend to agree with these assertions, having estimated that remittances from Canada amount to between US\$10 billion and US\$15 billion annually. Danielle Goldfarb at the C.D. Howe Institute generated similar estimates in her report, "Effective Aid and Beyond." Using the World Bank's ratio of global remittances being three times larger than foreign aid, she estimated that remittances from Canada could be as high as CAD\$15 billion per year (Goar, 2007).

Nevertheless, there are many reasons to exercise caution with regards to these estimates. Canadian immigration policies and the country's distance from the Mexican border have created a foreign-born population characterized predominantly by highly skilled immigrants. This contrasts significantly with the large numbers of low-skilled and/or un-documented workers that make up large portions of the foreign-born population in the United States. Since the latter category of migrants tend to remit larger proportions of their income and, in the case of undocumented workers, often do so underneath the radar, estimating total remittances from Canada by using the global ODA to remittances ratio likely overestimates the actual numbers.

Rudi Robinson has acknowledged that more conservative estimates place such flows closer to US\$4 billion – an amount that would still place Canada amongst the top six remittance-sending countries in the world. Moreover, a recent analysis of Statistics Canada's Longitudinal Survey of Immigrants to Canada (LSIC), created to better understand the integration patterns of immigrants during their first few years in Canada, estimated that migrants' remittances from Canada are more likely to lie between CAD\$5 billion and CAD\$10 billion (Unheim, 2007).¹ This estimation is supported by the results of a recent effort by the Center for Global Prosperity to measure total assistance to developing countries from OECD member states in 2005, which includes net ODA, private giving and migrants' remittances. According to their estimates, remittances from Canada amounted to approximately 0.58 per cent of Canada's gross national income (GNI) that year, or approximately US\$6.1 billion (Hudson Institute, 2007). This is broadly reflective of the estimates found in Canada's Balance of Payments statistics, yet it is also indicative of the extent to which private transfers exceed public transfers from Canada to the developing world. In 2005, for instance, Canada's official development assistance (ODA)

¹ Interestingly, only 22 per cent of the LSIC's sample population reported having sent money home during their first two years in Canada, nearly 30 per cent fewer than the Bank of Montreal's estimates, noted above.

contributions totaled only CAD\$4.6 billion (OECD DAC, 2007), a figure exceeding the CAD\$3.8 billion in official transfers reported that year.



Despite the availability of these figures, more work and better data is needed before making more precise estimates regarding the size of migrants' remittance flows from Canada. One important step towards doing so is to better understand the composition of diaspora communities in Canada and the ways in which they are tied to their countries of origin around the world.

Mobilizing Canada's Diversity of Diasporas

Canada's foreign-born population looks much different than that of the United States. In 2001, the most recent year for which such data is available, Canada's immigrant population totaled 5.5 million individuals, or 17.8 per cent of the population, the highest percentage of foreign-born since the 1930s. More recent data from the 2006 census will be released by the end of 2007; it is expected that these numbers will show the foreign-born population to have grown considerably relative to those born in Canada. Nevertheless, in 2001 almost half of all foreign-born came from Europe but moved to Canada prior to 1970. This group largely represents what might be referred to as Canada's 'old stock' foreign-born population. More recent waves of immigrants have been predominantly Asian: as of 2001, 36.5 per cent of foreign-born Canadian residents came from that region. This number is likely now much closer to 50 per cent. About one-tenth of the Canadian resident population came from the Americas, a group whose size has increased more slowly than that of immigrants from Asia or Africa.

Over the past several years, such diasporas have become recognized by Canadian practitioners, academics, home country governments and members of the diaspora themselves as important partners in the development process in their countries of origin. Four distinctive initiatives focused on the diaspora will therefore be highlighted herein to help illustrate the implications of this emergence, particularly for Latin America and the Caribbean.

In 2004, FOCAL organized a two-day meeting in conjunction with Foreign Affairs Canada (DFAIT) and the Canadian International Development Agency (CIDA) to examine the role of the Haitian diaspora in supporting the multi-donor Interim Cooperation Framework for rebuilding Haiti (ICF). Then Prime Ministers Paul Martin from Canada and Gerard Latortue of Haiti addressed the event, in which over 500 participants from the diaspora, government, non-governmental community and the media participated. The primary objective of the event was to underline the importance of the diaspora in the democratization process in Haiti and in the implementation of the ICF. The conference succeeded in generating greater willingness from the Government of Canada to work with the diaspora as it seeks to encourage democratization and the successful implementation of the ICF. The event also brought forth a list of ideas and concerns from the diaspora regarding what will be needed to accomplish these objectives and laid the groundwork for future cooperation between members of the Haitian diaspora community in Canada, the United States and elsewhere.

One diaspora group that participated in the 2004 conference was the Regroupement des organismes canado-haitiens pour le développement (ROCAHD). This non-profit organization, supported by funding from the CIDA, has worked for over twenty years with local partners in Haiti on small-scale development projects focused on meeting the socio-economic needs of the island's most vulnerable citizens. As such, it is the longest standing example of a diaspora organization working in partnership with a donor agency. Despite considerable uncertainties over future donor funding in 2004, ROCAHD managed to implement six new development projects in different parts of Haiti, ranging from farm-related support to eco-tourism. Following Hurricane Jeanne that same year, ROCAHD mobilized the Haitian community in Quebec and Canada and raised over CAD\$18,000 to assist victims of the storm. While ROCAHD's future remains dependent on one primary donor and therefore uncertain, its work to date serves as a good example of the ways in which diasporas can work collectively alongside donors to assist members of their compatriots in their countries of origin.

Two years after the Haitian diaspora conference, the Toronto chapter of the University for Peace organized a meeting that brought together academics, practitioners and members of a variety of diaspora groups to discuss how diasporas are, or could be, preventing conflict and promoting peace and development in their countries of origin. Participants in the expert forum, “Capacity Building for Peace and Development: Roles of Diaspora,” discussed three broad means through which diasporas can contribute to peacebuilding: socially, through sharing knowledge and best practices; politically, by pressuring home governments to act and serving as advocacy groups for particular causes; and economically, by serving as important sources of funding for post-conflict reconstruction. The forum concluded with a recommendation that diasporas, “in partnership with local civil society and supported by various levels of government, should continue to engage in policy changes and grassroots initiatives in their [countries of origin] and abroad,” and that more research be initiated regarding the ways in which diasporas can contribute to the aforementioned causes (University for Peace, 2006).

Our final example regarding diaspora engagement in Canada has been led not by donors, nor by the diaspora, but by the private sector. Scotiabank’s “Mi Pago” program, which started out as a pilot, offers card-based money transfer services to temporary Mexican agricultural workers in Canada. Signing up for the service requires some form of official identification and once a member, migrant workers can send money home through Scotiabank branches in Mexico at a fixed and relatively low rate. The program saves these workers money on exchange rates and transfer fees, but also introduces them to formal banking practices and opens the door to accessing more complex financial services.

Understanding Remitter Profiles and Remitting Practices in Canada

In May 2005, FOCAL coordinated two conferences in Toronto and Montreal in an effort to both better understand and increase awareness of the structure of the remittance sending corridors that link members of the Jamaican and Haitian diaspora in Canada with their home countries in the Caribbean. It was found that remitters from these countries are both content with the current means through which they remit funds and aware of other options available to them. Consequently, noted the conference’s organizers, there may be little role for government in terms of promoting awareness of the services offered by traditional financial institutions, and it is probably up to the banks themselves to engage with this market (Dade et al, 2005).

FOCAL organized a subsequent conference on a related topic in conjunction with DFAIT and CIDA in the fall of 2005. Looking beyond Haiti and Jamaica, this event gathered together members of the Latin American and Caribbean (LAC) diaspora in a preliminary attempt to forge productive linkages between its members and the Government of Canada. Delegates to the conference made it clear that there is a desire amongst some diaspora groups “to partner with CIDA and other Canadian agencies to cost-share projects that have a large impact on home communities,” (FOCAL, 2005: 5); that there is a need to reduce the cost of remittance transfers; and that it might be worthwhile to look into tax breaks for immigrants who support their families while abroad (FOCAL, 2005).

Simmons, Plaza and Piché (2005) have also examined the institutions and characteristics of participants in the Canada - Jamaica/Haiti remittance corridor in a study prepared for the UN Expert Group Meeting on International Migration and Development in Latin America and the Caribbean in December 2005.² The authors found that wire-transfer agencies are the predominant mechanism through which money is sent home; that the median amount sent by remitters was approximately CAD\$200 per month, or an average of CAD\$1,000 to CAD\$1,400 per year; and most remittance senders consider current transfer costs uncomfortably high. The latter range is lower than CAD\$1,966, the average amount sent home annually by members of the Longitudinal Survey of Immigrants to Canada’s (LSIC) sample population (Unheim, 2007). The authors also found that men and women send roughly equal amounts of remittances; that the amount of money sent home increases with age; and that remittances increase with household income up until a maximum of approximately CAD\$49,000. They also found that Haitians tend to favour telecommunications as the best way to stay in touch with family members in their country of origin, while Jamaicans visit home more frequently and phone home less often than their Haitian counterparts. These findings can be compared with the results from a study of Jamaican remittance recipients commissioned by FOCAL, as well as with recent numbers from the Inter-American Development Bank’s (IDB) Multilateral Investment Fund (MIF) regarding remittances from Canada to Haiti.

² It should be acknowledged that this study surveyed only 288 households in Toronto and Montreal and was limited to members of the communities in question who had indicated an interest in the project. The study therefore cannot be seen to represent the characteristics of all immigrant remitters in Canada, let alone all members of the Haitian and Jamaican diasporas.

The FOCAL-commissioned study (Dade, 2006) found that 20 per cent of remittance recipients have family or relatives living in Canada, the majority of whom are in Toronto. 28 per cent of those who had been sent money from Canada received it once a month, the most common frequency at which remittances were received. The vast majority of Jamaican remittance recipients used Western Union as the primary means through which they received money from abroad, while for those who used banks – approximately 10 per cent of recipients – Scotiabank was the second most frequently used financial institution (after Jamaica’s National Commercial Bank). Interestingly, Jamaicans who were sent money from Canada were also the least “banked” amongst those who received money from other countries; that is, this group had fewer bank account and bank card holders than the groups that received money from the United States, the United Kingdom or ‘other.’

The IDB’s Multilateral Investment Fund recently completed a nation-wide survey of remittance recipients in Haiti and found that of the 31 per cent of Haitians that receive money from abroad, 14 per cent have relatives in Canada (MIF, 2007). Since Haiti was found to have received approximately US\$1.65 billion in remittances in 2006, one can therefore estimate that roughly US\$230 million of this came from Canada. 83 per cent of these used a remittance company to receive their money, while only 6 per cent used a bank (compared to 10 per cent in Jamaica). The remaining 11 per cent received their remittances either by mail, courier, or through a family member traveling to Haiti.

Finally, a revealing study by Barnabé Ndarishikanye (2005) provides the most detailed picture so far of the plurality of financial institutions involved in the Canada - Central America/Caribbean remittance market. These companies include a number of small businesses, which typically service specific diaspora communities, as well as larger players such as Western Union. CAM Transfer, for example, is the leading wire-transfer agency in the Haitian remittance market with CAD\$13 million in annual transfers, while Rapid Remittances, the Jamaica National Building Society (JNBS) and the Victoria Mutual Building Society (VMBS) are among the more popular companies for Jamaicans in Canada (Ndarishikanye, 2005). Laparkan focuses on the Guyanese community, but also redirects both cash and remittances in-kind to Barbados, Jamaica, and Trinidad and Tobago. Ndarishikanye also discussed the use of formal banking institutions by remittance senders but found that considerable fees – an average of CAD\$80 per transaction –

and barriers such as transfer time and bank account requirements discourage the use of such institutions by those who fit the typical remitter profile.

Policy Priorities and Next Steps

Engagement with the diaspora in Canada has taken many forms and has yielded numerous positive results. Yet the potential of such communities to contribute meaningfully to their home countries remains largely unfulfilled and quantifying their contributions remains a challenge. Among the factors impeding the realization of this potential is the fact that many diaspora groups in Canada lack sufficient resources to mobilize their communities in order to promote economic and social development back home, while others lack access to practitioners in the public sector institutions involved in such efforts themselves. With regards to measurement, a common definition of private remittances has not yet been adopted by all OECD member states, thereby impeding comparability of remittance flows across countries. In Canada, moreover, nation-wide household surveys representative of the entire immigrant population have not yet been conducted, making it difficult for researchers and policy-makers to understand the profiles of those who send remittances abroad, cross-reference the validity of the private remittances figures in Canada's Balance of International Payments statistics, or estimate the amount of money being sent abroad through informal channels. Each of these shortfalls has an impact on the ability of policy-makers to formulate policy that best suits the needs not only of those born abroad, but of all Canadians as well.

Further efforts to mobilize the potential of the diaspora and to measure and build upon its outputs – intellectual, social and financial – are therefore required from government, the non-governmental and academic communities, the private sector, and members of various diasporas. Only in partnership with each other will solutions to these challenges, characterized by their dual implications for both domestic and international policy, be identified and acted upon in a thorough and efficient manner.

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