

THE POPULATION COUNCI

Contract No: 532-0069-C-00-2005-00

Project No.: 532-0069

Project Title: Assistance in Development and
Implementation of a Comprehensive
Population Policy and Plan for
Jamaica

Quarterly Progress Report
for the Period: October - December 1984

Submitted: March 1985

Three staff members of the Population Council worked in Jamaica during the last quarter of 1984, Charles Keely and Tomas Frejka, both from October 21 to October 26, and Robert Sendek the last week of November.

The purpose of Charles Keely's trip was to work with staff of the Planning Institute of Jamaica (Lorna Murray and Barbara Boland) to prepare a report on remittances and their place in the Jamaican economy. The analysis indicates that in the early 1980's remittances became a significant factor in Jamaica's economy: 4.5% of GNP, over 10% of imports and almost 20% of exports. In 1983 remittances were among the three main sources of hard currency income, second only to alumina and larger than the cash flow of foreign exchange from tourism. A pertinent discussion on policy measures that could maximize remittance flows concludes the report (Attachment A - Remittances and the Jamaican Economy 1972-1983).

Frejka worked with several Jamaican institutions; the need for several consultancies was established; and future cooperative projects were discussed.

-- At the National Family Planning Board it was agreed that Dorothy Nortman could assist in continuing work on a cost-benefit analysis of the National Family Planning Program. It was also agreed that Dorothy Nortman could cooperate with staff of the Planning Institute of Jamaica in an analysis of the factors of fertility decline in Jamaica with particular emphasis on attempting to define the role of the family planning program (the date for D. Nortman's consultancy was subsequently set for

February 24 - March 1, 1985). The need for a new set of population projections for Jamaica based on the results of the 1982 population census was discussed. Frejka agreed to assist in this activity at a time when appropriate background material will be available.

The above project on factors of fertility decline in Jamaica was discussed at the Planning Institute of Jamaica. In addition, the consultancy of Robert Sendek, the Population Council computer specialist, was discussed (see next paragraph). The Population Council regional programs on Child Survival and Adolescent Fertility were discussed and significant interest on the part of the Planning Institute of Jamaica was expressed.

- At the Statistical Institute of Jamaica the status of the results of the 1982 census and the basis for international migration statistics were discussed. The possibility of Frejka assisting in the preparation of their population projections was also discussed.
- Frejka had several meetings at the University of West Indies. He discussed the diploma course in demography, and future cooperation in research on adolescent fertility and child survival with staff of the sociology department. He also discussed these issues, as well as the new contraceptive introduction program, with staff of the Family Planning Unit of the obstetrics and gynecology department.
- At the Women's Center Frejka discussed the possibility of an evaluation project within the framework of the forthcoming Population Council Adolescent Fertility Program.

The Population Council computer specialist, Robert Sendek, installed several programs (SL-Micro, SPSS/PC, FIVFIV/SINSIN -- a population projection program, and the NAS programs for demographic estimation) on the newly acquired IBM/PC at the Planning Institute of Jamaica during the last week of November. Sendek trained Planning Institute of Jamaica staff in the use of these programs (Attachment B - Memo from Robert Sendek to Tomas Frejka on consultancy contents).

REMITTANCES AND THE JAMAICAN ECONOMY 1972 - 1983

This report was prepared by Charles B. Keely, in cooperation with the Planning Institute of Jamaica as part of the USAID sponsored Contract between the National Family Planning Board of Jamaica and the Population Council. The views expressed are those of the author.

Introduction

There are not many issues that are unanimously agreed upon concerning international migration. That money is the main enticement and principal attraction is one of them. Agreement usually ends there. For the migrant and his or her family the trip, the separation, and the uncertainty are evidently worth the wages, the remittances sent home, and perhaps the promise of eventually joining the migrant in a new country. For the sending country, remittances represent hard currency, a help in the balance of payments, and an additional weapon, not without risks, in the battle of development. Some claim, however, that such thinking is only so much rationalization of a situation by individuals and governments.

Jamaica has a long history of emigration. This paper will concentrate on the country's experience of the last dozen years and specifically focus on remittances and the relation of remittances to indicators of other aspects of the economy. The paper will conclude with important considerations for strategic thinking about emigration.

Remittances

Between 1972 and 1983 the volume of reported remittances to Jamaica has varied widely.* In the early 70s, until 1974, recorded remittances were

* Recorded transfers of course understate the true amount of remittances.

about US\$33 million (Table 1). In 1975, a decline began. It was precipitous in 1976 when only US\$2 million was recorded as remitted. A modest recovery took place in 1977 and 1978. Since 1979, a pattern of generally healthy annual increases began, so that in 1982 and 1983, remittances were at the annual level of US\$133 million or four times the levels of a decade earlier.

GNP

During this same period (1972-1983), GNP followed a similar pattern, but with a lag in the mid-decade stumble and subsequent recovery (Table 1). In the early 1980s, remittances equalled about 4.5 percent of GNP. While not as high a proportion as for some other labour exporters, remittances ought not to be ignored.

Money Supply M_2

Remittances can also affect money supply directly by requirements to exchange money and indirectly by stimulation of borrowing demand. Table 1 gives both the level of money broadly defined (M_2) and remittances as a percent of M_2 . There is no clear relationship in the movement of the two indicators. Table 3 provides measures of annual changes in remittances and M_2 . Because of the erratic, but explainable, behaviour of the remittance levels in the decade, the size of annual changes varies from a -90 percent to

Private unrequited transfers from national accounts statements are the measure used in this paper. This is limited to transfers that go through authorized channels, monitored by the central bank, and included in reports. Other movements of money, the movement of goods, and schemes that allow access to money kept outside Jamaica are not included in these reports. Since events can affect not only how much but also by what methods money is remitted, trends in reported remittances do not necessarily reflect a change in the level of remittances. They can also signal a switch to new methods of remitting inside or outside officially monitored channels.

a +655 percent. Changes in money supply show nowhere near that range of movement but even the pattern of growth and decline of M_2 do not correlate with changes in remittance levels. It is safe to say that other forces overshadowed the effects of remittances in determining money supply.

Inflation

Remittances are often blamed for inflation in migrant exporting countries. The mechanisms proposed include stimulating excessive consumer demand for goods and land, conspicuous consumption, and development of tastes for imported goods. These purported ills of remittances are often contrasted with economically preferable uses of remittances, namely savings and investment in job creating enterprises with high multiplier effects. These preferences, of course, ignore the needs and tastes of remittance receivers.

Inflation, measured by annual changes in the consumer price index (Table 3 Col. 2), shows no clear relation to change in remittances (also Table 3 Col. 1), or the absolute size of remittances (Table 1, Col. 1). As was the case with money supply, whatever impact remittances have on the consumer price index is overshadowed by other forces affecting the index.

Imports

The volume of imports of merchandise to Jamaica has risen about two and a half times between 1972 and 1983 from a level of US\$466 million to about US\$1,153 million (Table 2). The rise has not been consistent. During the mid-70s (1976 and 1977), the level of imports declined by 18 and 16 percent respectively and in 1982 and 1983, modest declines of 7 and 5 percent respectively were again recorded (Table 3, Col. 5).

The annual percent change in import levels does not mirror similar

changes in remittances, even with a lag. Although not a mirror image, it is still possible that, with a lag, remittances are reflected in import levels to some extent. This does not imply that demand for imported consumer goods is the only path of impact. The availability of hard currency can be used for capital and other goods. (It is well to recall that unrecorded remittances are also percolating through the economy and enabling import to take place.)

What is clear is that recently recorded remittances are equal to a not insignificant proportion of Jamaica's import bill for merchandise. Since 1981, remittances equalled from 10 to 12 percent of imports. This is an increase over even the early years of the 1970s. If the 1980s experience marks a trend, remittances are providing something of a cushion in a very difficult period. Their place in the Jamaican economy may be moving from marginal importance to a more important, even if not dominant role. Remittances may also represent an area where policy may be able to increase the flow, even while other experience is economically unfavorable.

Exports

The export experience of Jamaica was spotty in the last dozen years. Except for a stall in 1976, exports of merchandise were growing in the 1970s, although at generally modest rates for the end of the decade (Table 3, Col. 6). In the 1982, merchandise exports declined by a fifth, followed in 1983 by an additional 13 percent decline. In 1983, exports stood at US\$670 million or US\$300 million less than the 1981 level -- a cumulative decline of almost one-third in two years.

Once again, the evidence is that exports do not mirror remittances (even

with a lag). It is not obvious that one can blame emigration, much less remittances, for the decline in exports, unless one claims that the cumulative loss of skills had a threshold effect of decline in production leading to the precipitous export decline of the last two years. This is hardly likely. It seems to be looking for a scapegoat rather than for the culprit.

As a result of the different trends in levels of remittances and of exports, in 1983 remittances equalled 20 percent of all merchandise exports from Jamaica. Remittances were the third largest source of earnings in the balance of payments in 1983, behind bauxite/alumina, and travel (tourism). If the focus is on sources of foreign exchange in 1983, remittances at US\$135 million were a larger source of foreign exchange than net receipts from tourism (at US\$120 million) and trailed only bauxite and alumina receipts (at US\$217 million). Like the data on imports, these data on exports point to an evolving importance of remittances in Jamaican economic life. A more central role for remittances is not without its difficulties, but recent movements suggest a new look at remittances and evaluating economic strategies. Is there a new reality that can be shaped to some extent as well as being adapted to?

Current Account

Jamaican balance of payment experience in the last dozen years can be summarized as generally a negative current account (Table 2, Col. 5) with a deficit on the whole balance (data not shown) even with all factor transfers included. In Table 2, last col., the percent of the current account balance represented by remittances is given. Except for 1972, when the current

account was positive, the percentages in the column indicate how much greater the deficits would have been in the absence of remittances. In 1983, for example, private transfers equalled about 40 percent of the current account deficit of almost US\$350 million. This continues a pattern of the last five years in which remittances have not only grown and become an increasingly notable contribution to GNP (Table 1, Cols. 1 and 3), but also have provided a cushion to soften, but by no means eliminate, the trade balance of payments to deficits.

Summary

This brief overview of economic experience concerning the level and trends in remittances in relation to other economic indicators indicates an increased role for remittances sent home by Jamaican overseas.

Since 1979, the size of recorded remittances has almost doubled from US\$70 million to US\$133 million in 1983. Remittances in 1982, were about 4.5% of GNP. During the same period the conventional wisdom which holds that remittances cause inflation by driving up money supply and increasing consumer demand and imports is probably true to some extent. However, it is far from evident that blame can be laid at the door of remittance receivers for the variations in money supply and consumer price indices in Jamaica. Remittances undoubtedly play a role but they do not play the leading role in the movement of these indices.

The vigor of remittances in the five year period of 1979 to 1983 and especially in 1982 and 1983, years of precipitous declines in exports and only very modest fall-offs in imports, has given a new importance to the role of remittances. Transfers to relatives in Jamaica from abroad in 1983

equalled 10 percent of imports, 20 percent of exports, and almost 40 percent of the current account deficit. In 1983, the value of remittances was second only to alumina in the value of merchandise exports. At US\$135 million, remittances (net unrequited transfers) were larger than the cash flow of foreign exchange from tourism (at US\$121 million). A significant proportion of tourist receipts were diverted to the parallel market in 1983, accounting for the one-third decline from 1982 in tourist receipts in the foreign exchange cash flow. Nevertheless, even with a recovery due to the unification of the official and parallel markets, it is food for thought that remittances now rival tourism in the Jamaican economy. If one looks on the horizon, no other source of earnings seems as promising or as open as remittances to growth as a result of Jamaican policy initiatives. Is there a new economic reality?

Some Notes on Strategic Thinking About Remittances

This section will raise questions for thinking about the implications of the data presented and suggest strategies for consideration. These notes are neither a comprehensive analysis or a policy prescription. They are meant to stimulate thought not to stifle it.

A Goal for Remittances Given the increasing importance of remittances in the Jamaican economy, consideration ought to be given to adopting a policy goal to maximize remittances and to maximize use of official channels to remit money from abroad to Jamaica. It is important to state at the outset what such a goal is not. First, to maximize remittances from those abroad is not to embark on a policy to encourage emigration. To maximize remittances from

those abroad is to accept as a given whatever number are abroad, independently of a government's policy to restrict, encourage or follow a laissez-faire approach to emigration, especially of wage earners. The Jamaican Government may want to discourage loss of critical skills and promote return of skills. That goal can be pursued simultaneously with a goal of maximizing per capita remittances to Jamaica. In fact, as will be suggested below, some mechanisms to promote maximum remittances include maintaining ties and anchors in Jamaica which may encourage the return (or earlier return) of Jamaicans with critical skills.

Second, to maximize per capita remittances and to maximize flows of remittances through official channels is not synonymous with schemes to encourage remittance receivers to allocate greater portions of remittances to savings and investments. How remittance receivers use the money from abroad is logically and practically a separate issue from trying to provide a setting in which Jamaicans will not keep foreign currency earnings outside the country and, when they do remit, will use official channels and therefore increase the benefit of hard currency availability and contribute to monetary policy goals.

Before suggesting some positive measures for consideration, some attention ought to be given to current policy which may be responsible for discouraging remittances.

Currency Laws The goal of currency regulations is to reduce flight of capital. As with most such laws, one inevitable result is to challenge people to beat the system. What must be asked of these laws is not do they work? The answer to that question is inevitably, "yes and no". No one can

answer for sure how much is yes and how much is no since illegal activity is what is being discussed. It is no secret that those who want access to foreign currency for travel and other purposes can and do obtain it. It is no secret that earnings are kept abroad for sale to accommodate precisely such attempts to circumvent the regulations.

Rather than ask do the regulations work, the more relevant policy question is whether changes in some of the regulations would result in a better net flow of foreign currency and its availability for needed purchases of foreign goods. Suppose, for example, every US dollar now kept outside Jamaica, but purchased by Jamaicans for use abroad, were remitted to Jamaica. Suppose further, that every one of those dollars was eventually exchanged and used by Jamaicans for travel abroad. The result is not a wash. Rather it would be a net gain for Jamaica because of the availability of the hard currency, the value of the money between the time sent and the time used, and the more intangible confidence in a system and process whereby currency is remitted as a matter of course rather than a last resort.

If it is not clear how successful currency regulations are and if remittance maximization is a desideratum which is discouraged by currency restriction, then evaluation of the regulations seems in order. Such a suggestion is not a call for wholesale reversals. Selective changes may be enough. It is taxing credibility to claim that currency laws have no effect on remittance behaviour and it is open to debate whether some relaxation might not result in a net gain in capital movement, not to mention the hard currency benefits of the remittances.

Foreign Currency Accounts In a positive way, thought and evaluation ought to

be given to previous Jamaican and other countries' experiences with foreign currency and foreign currency denominated accounts. Bangladesh, for example, allows foreign currency denominated accounts for its foreign temporary workers (concentrated in the Middle East and paid in US dollars). The workers or designated family in Bangladesh may exchange into local currency when they wish to do it at the daily auction rate. Such a mechanism reduces the need for and attraction of an unofficial market, as long as the auction is a true auction.

Such a mechanism may attract remittances to Jamaica in greater amounts and in more timely fashion. In a foreign currency denominated account, resident Jamaicans would not have access to hard currency but would not lose the advantage of changes in conversion rates by being able to exchange into Jamaican dollars at more favorable rates at some future date.

Mortgage Preferences Another positive step to encourage remittances is to provide mortgages for house purchase or building by remittances senders at favourable rates, but to require payment in foreign currency (from foreign currency accounts perhaps) and even to require the remitter's family to reside at the house (i.e., no renting). The favourable rate would be in exchange for the foreign currency payments. A no-rental policy would encourage anchors to Jamaica and discourage a family strategy of serial emigration as resources allow. The objective is to encourage people to think Jamaican and be oriented to a Jamaican future. Since remittance receivers, as reported in many studies around the world, usually spend remittances on current consumption (including housing, food, clothing, medical care, and children's education), establishing a more secure Jamaican base and educating

children in Jamaica may also contribute to the next generation's thinking of their future as Jamaica's future.

A no-rental approach, it should be clear, affects family policy by discouraging reunion outside Jamaica and by providing incentives to keep family in Jamaica and for emigrants to return to join family at home. The alternative of allowing renting may result in greater construction and more units built. This could benefit the housing situation, although one must realistically expect that investment for rents rather than for own use will probably focus on the upscale segment of the housing market. Whatever course chosen, the results would be to encourage remittances and to increase the housing stock. The no-rental approach has the purported advantage of discouraging emigration of families and encouraging the return or the earlier return of wage earners. A focused programme of this type aimed at those with critical skills (or providing more favourable terms to them) may increase the benefits of return by pinpointing those with needed skills.

In summary, this overview argues that there is good reason to believe remittances are taking on a new importance in the Jamaican economy. Steps can be taken to capitalize on that situation. This course of action is even more attractive, given the weak prospects of other alternatives for access to hard currency and strengthening earnings in national accounts. To maximize remittances and sending them through official channels does not require more emigration. In fact, some schemes to maximize remittances may encourage return or earlier return of needed skills. Re-evaluation of currency regulations, banking practices, and mortgage schemes are suggested as areas for evaluation and possible action. Examination should not stop there, of course, and examination does not mean foregone conclusions.

A final cautionary note is in order. Remittances are a source of discomfort for they imply a dependency on external forces -- especially foreign governments' migration policies -- that are hard to influence, sometimes difficult to predict or plan for, and, to be frank, often capricious. Domination of a foreign earnings portfolio by remittances can lead to requiring a policy to promote emigration, even to the detriment of domestic development. So caution is required. So too, attention must be given to patterns of behaviour on use of remittances. If they fuel inflation and imports, encourage a reliance on foreign goods, result in declines in domestic production, even of agriculture, things are out of hand. Such a scenario is not just a mental experiment but a reality in some places. Remittances should not be pursued to the extent that the future is mortgaged. Then again, perhaps they deserve more attention than they have been given. A little cultivation can increase a crop's yield without requiring dependence on a single crop.

A Note on the Tables

The amount of "remittances" is the net private unrequited transfers in balance of payments statements. Conversations with the Bank of Jamaica official responsible for the balance of payments reporting (E. Birch) confirmed that there are some in-kind transfers in this item, but a very small amount and reflecting private organization transfers (e.g., equipment or emergency aid to charitable groups). The vast bulk is money transfers. It understates the amount of cash remittances since, as the text states, only officially monitored channels are reported. Goods brought in by individuals are also not reported. Therefore, the measure of remittances is an understatement. This only reinforces the conclusion of the exercise regarding the role of remittances in Jamaica's economy.

The M_2 measure combines cash and quasi-money from the money figures of the Bank of Jamaica.

Imports and exports in Tables 2 and 3 only include merchandise (visibles).

The inflation changes, in Table 3, Col. 2, measures the year-to-year change in the consumer price index (mid-year).

In all cases, the attempt was made to use the latest published figures in order to incorporate any adjustments to earlier preliminary or "final" figures which were later readjusted. As much as possible the IMF's International Financial Statistics entries were used but the Bank of Jamaica sources listed were also consulted. It is the Bank's data which are ultimately cited in the IMF sources.

Table 1 :**Remittances, GNP and Money Supply, and Remittances as Percentage of GNP and Money Supply, Jamaica, 1972 to 1983**

Year	Value of Remittances in US \$ Million	GNP in US \$ Million	Remittances as % of GNP	M ₂ (Money & quasi Money) in US \$ Million	Remittances as % of M ₂
1972	35.5	1576.6	2.3	600.0	5.9
1973	34.7	1881.1	1.8	646.9	5.4
1974	33.9	2460.6	1.4	791.6	4.3
1975	22.7	2849.5	.8	941.2	2.4
1976	2.0	2890.8	.1	898.7	.2
1977	15.1	3185.9	.5	1148.7	1.3
1978	15.2	2738.3	.6	852.1	1.8
1979	70.0	2293.6	3.1	806.7	8.7
1980	81.7	2850.9	2.9	961.0	8.5
1981	123.3	2769.8	4.5	1233.3	10.0
1982	134.5	3027.3	4.4	1556.6	8.6
1983	133.3	-	-	1825.5	7.3

Source : International Monetary Fund, International Financial Statistics. XXXVII, 8 (August 1984), XXXII, 11 (November 1979); XXXI, 12 (December 1978).

Bank of Jamaica, Report and Statement of Accounts, 1972 to 1983. Bank of Jamaica, Balance of Payments of Jamaica, (annual series) 1972 to 1982.

Table 2 : Imports and Exports of Merchandise and Current Account Balance and Remittances as Percentage of Imports, Exports and Current Account Balance Jamaica, 1972 to 1983

Year	Imports US \$ Million	Remittances as % of Imports	Exports in US \$ Million	Remittances as % of Exports	Current Account	Remittances % of Current Account
1972	465.1	7.6	332.6	10.7	129.0	27.5
1973	570.2	6.1	392.9	8.8	-180.7	19.2
1974	811.4	4.2	693.8	4.9	-167.0	20.3
1975	969.7	2.3	785.7	2.9	-282.7	8.0
1976	791.6	.3	656.4	.3	-302.7	.7
1977	666.7	2.3	750.6	2.0	- 34.6	43.6
1978	750.0	2.0	794.5	1.9	- 86.7	17.5
1979	882.6	7.9	814.7	8.6	-142.6	49.1
1980	1038.1	7.9	962.7	8.5	-166.3	49.1
1981	1296.7	9.5	974.0	12.7	-336.1	36.7
1982	1208.9	11.1	767.4	17.5	-380.3	35.4
1983	1152.7	11.6	670.2	19.9	-342.7	38.9

Source : See Table 1

Table 3

Annual Changes in REmittances, Inflation (Consumer Price Index), Money Supply, GNP Imports, Exports and Current Account, Jamaica, 1973 to 1983.

Year	Annual Change in Total Remittances %	Inflation (Consumer Prices) %	Annual Change in M ₂ %	Annual Change in GNP %	Annual Change in Imports %	Annual Change in Exports %
1973	-2.3	24.4	7.8	19.3	22.4	18.1
1974	-2.3	17.4	22.4	30.8	42.3	76.6
1975	-33.0	9.6	18.9	15.8	19.5	13.3
1976	-91.2	11.4	-4.5	1.5	-18.4	-16.5
1977	655.0	34.5	27.8	10.2	-15.8	14.4
1978	.7	29.5	-25.8	-14.1	12.5	5.9
1979	360.5	27.3	-5.3	-16.2	17.7	2.5
1980	16.7	12.7	19.1	24.3	17.6	18.2
1981	50.9	6.6	28.3	-1.9	24.9	1.2
1982	9.1	11.6	26.2	9.3	-6.8	-21.2
1983	-0.9	-	17.3	-	-4.7	-12.7

Source: See Table 1

The Population Council

MEMORANDUM

@27 December 1984

To: Tomas Frejka
From: Robert Sendek *RS*
Subject: Jamaica consultancy

RECEIVED
POPULATION COUNCIL

★ DEC. 4 1984 ★

Activities for the week of November 25, 1984:

MEXICO

- 1 - Installed new release of SL-Micro and trained staff in its use - particularly in regards to the new data-entry routine - including the proper way to code questionnaires, range-checking, file formatting, etc., using the Jamaican Population Policy Implementation Plan data form.
- 2 - Installed SPSS/PC and trained staff in its use. Including accessing, saving, recoding, error-checking, and general statistical procedures, along with some advanced topics such as getting crosstabs with summed data in the cells, and using hierarchical file structures (using data across cases, creating summary records, etc.).
- 3 - Held a 3-hour training session for entire staff covering coding questionnaires, data-entry, data-cleaning, and analysis.
- 4 - Demonstrated SPSS/PC on Jamaican World Fertility Survey data set.
- 5 - Installed Fred Shorter's FIVFIV/SINSIN population projection package and trained staff in its use.
- 6 - Installed the NAS Computer Programs for Demographic Estimation (AFEMO, DFEMO, and OCEST) and trained staff in their use.

171