

## CHAPTER 2

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### The Impact of Remittances in Jerez, Zacatecas

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The effects of international migration and remittances in the town of Jerez, Zacatecas, have had major implications for family well-being and equity. Research based on fieldwork in Jerez during September 2004 shows that remittances improve quality of life for the recipient families, by contributing to improved nutrition, housing, and education. However, remittances have also increased inequity for those families that do not receive them. This chapter describes changes in migration patterns and remittance flows, and it analyzes some of the unresolved questions relating to the effect of remittances on both recipient households and households that do not receive these transfers.

Jerez, population 37,558, is located 45 kilometers west of the city of Zacatecas, the state capital (INEGI 2000). Its municipality, also called Jerez, lies in the region of Zacatecas that historically has experienced strong out-migration to the United States. It also has one of the lowest population growth rates in the state and suffers from chronic economic stagnation and high underemployment, a pattern that is similar to other communities in Zacatecas as well as in Jalisco, Michoacán, and Guanajuato. Jerez is characterized by obvious economic inequities due partly to its low level of urbanization (40% of the population lives in rural communities). Compared to the municipalities of Guadalupe and Fresnillo and the city of Zacatecas, where the state's growth is concentrated, Jerez is no longer economically competitive (Padilla 2004).

Because of the duration and size of its out-migration, remittance flows, and strong binational social networks, the population of Jerez today forms

a truly transnational community. As its migratory pattern has evolved over many decades, shifting from temporary to permanent, the quantity and frequency of remittances sent to Jerez, the characteristics of the recipients, and the impact on family well-being have also changed.

We need to take a historical perspective in order to understand how international migration and remittances have substantially improved the well-being of families in Jerez, especially in terms of equitable housing and education. Jerez, like other west-central cities in the states of Guanajuato, Michoacán, and Jalisco, is characterized by a long tradition of migration and the predominance of a pattern of permanent emigration involving the entire family. In contrast, in the states of Veracruz, Yucatán, and Chiapas, the situation is qualitatively different because these areas are in the initial stages of migration, when the father and older children migrate temporarily while the rest of the family remains behind in Mexico. As noted in other studies (Conapo 2000), in these early stages, migrants supply major flows of remittances, which they send home to improve the living conditions for relatives in the communities of origin. This leads to inequity between those families that receive remittances and those that do not. Today, the residents of Jerez are predominantly elderly former migrants, and the remittances they receive function like a pension plan, financed by their relatives in the United States. This situation is distinct from that seen in many of the municipality's rural communities, where a flood of young men, most without documents, are going to the United States.

Thus two migration patterns—permanent and circular—coexist in the municipality of Jerez, and as a result, the remittances behave differently and have distinct impacts. In the former pattern, that of permanent emigration of an entire nuclear family, the remittances sent back home are sporadic, being used generally to support grandparents. The latter, circular, pattern involves the migration of only the father of the family or the older children, who migrate to the United States with the goal of saving to build a family home in Jerez or to accumulate assets so that the family in the community of origin will be better off. The sending of remittances to support family members staying behind establishes a strong tie between the communities of origin and destination.

Beginning in the 1970s, numerous Zacatecan hometown associations began to be established in the United States. These groups have sent donations, called "collective remittances," which are used for social projects in the communities of origin. In 1992, this form of remittance was institutionalized with the establishment of the Programa Dos por Uno (Two-for-One



Program): for every dollar that migrant associations invested in basic infrastructure projects in their community, the state and federal governments each gave a matching dollar. In 1999 a national policy to strengthen municipalities financially made it possible for them to contribute an additional dollar (see Burgess in this volume). Finally, in 2001, after the Partido Acción Nacional (National Action Party, PAN) won the presidency, and in response to demands from Mexican migrant associations in the United States, President Vicente Fox converted the Two-for-One Program into a national-level program called the *Iniciativa Ciudadana-Tres por Uno* (Citizen Initiative-Three-for-One-Program), which is administered by the Secretaría de Desarrollo Social (Ministry of Social Development, Sedesol). Under the Three-for-One Program, the local, state, and federal governments each match every dollar invested by a hometown association in community projects.

Recognizing that migratory patterns and types of remittances vary greatly opens the possibility of designing differential public policies for specific cases, with the goal of capitalizing on the positive impacts of international migration while reducing its costs. This is of major importance in rural communities, where many social projects have recently been implemented under the Three-for-One Program. Today, the Jerez hometown associations in the United States and their communities of origin are interested in making a qualitative step toward implementing productive projects. Private remittances have provided individual families with improved housing and educational opportunities, and collective remittances have provided communities with basic infrastructure, such as water, electricity, sewer systems, and roads. The next step is to investigate the possibility of using remittances to finance productive, business-oriented investments. Such investments would help to solve the most serious structural problem for the municipality and the state: weak job creation. By creating productive projects, resources generated by international migration would have a greater positive impact on employment, income, and local development (García Z. 2003a).

## SHIFTING MIGRATION PATTERNS AND INEQUITY

Since the 1990s, the source points of migration from Zacatecas to the United States have moved to the northwestern and the southern parts of the state (INEGI 2000; Conapo 2003). This is the result of several factors: the ongoing national agricultural crisis, which began in the mid-1970s; the

adoption of a neoliberal economic model in December 1982; the implementation of the North American Free Trade Agreement in January 1994; and the dismantling of public policies supporting the rural sector. In 2003, remittances to Mexico reached US\$353 million (Banco de México 2004). However, the municipality of Jerez has not shared in the bonanza. In 1988, it captured over 24% of the state's remittance flows, but by 2000, that figure had dropped to 5%. In absolute terms, Jerez received US\$41.4 million in 1988 but only US\$13.9 million in 2000 (INEGI, various years). This reduction is largely a consequence of the impacts of the U.S. Immigration Reform and Control Act of 1986 (IRCA). Because IRCA had family reunification as one of its goals, in parts of Mexico such as Jerez, there was a shift to permanent emigration by entire families. In contrast, in the areas of emerging migration, the family remains behind, creating a moral obligation to send money. IRCA enabled more than 2 million Mexicans to regularize their migrant status and gave them the right to bring their families to the United States legally. This pattern of permanent emigration by the entire family reduced the motives that had previously existed for sending family remittances on a regular basis to support those who had not emigrated. These changing patterns of migration explain why Zacatecas, and the municipality of Jerez in particular, have recently lost ground on remittance flows in comparison to neighboring communities.

## RECEIPT AND USE OF FAMILY REMITTANCES

The economic role of remittances in Jerez is best appreciated by comparing the amounts received to other Mexican economic indicators. In 1988, remittances accounted for 81.24 billion pesos, 2.9 times the value of agricultural output in the municipality and equal to one-half of the state's total agricultural output. Jerez's importance as a magnet for remittances is reflected in the figures. In 1988, per capita remittances averaged US\$616, an amount exceeded only by the per capita remittances in Tlaltenango (another municipality in Zacatecas's zone of historical migration), which were US\$653, much above the state average of US\$118 (Padilla 1993, 29).

Information on the current receipt and use of family remittances in Jerez was gathered as part of a survey conducted in Fall 2004.<sup>1</sup> Of all Mexi-

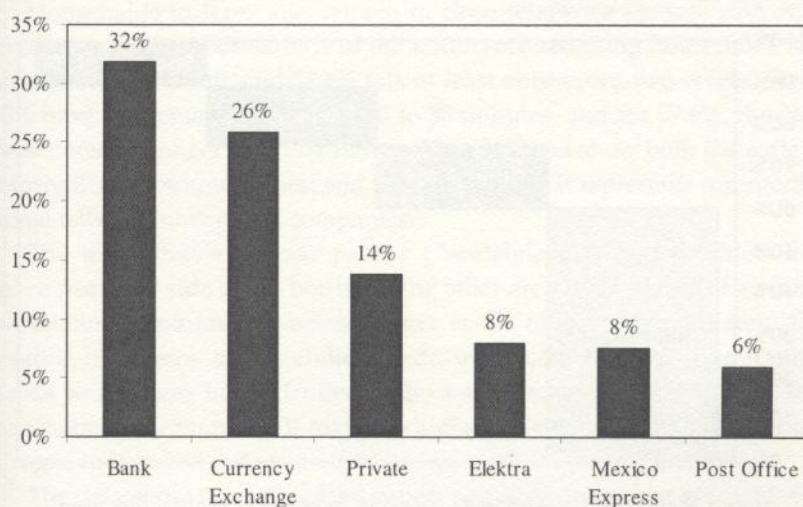
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<sup>1</sup> The field research was the result of a collaborative agreement between the doctoral program in Development Studies at the Universidad Autónoma de Zacatecas (UAZ) and Harvard University's Global Equity Initiative. Professors and students from the UAZ Economics Department administered the sur-



can households, almost one in five (18%) receives remittances (INEGI 2000). These transfers are redeemed principally at banks (31.8%) and *casas de cambio* or currency exchanges (25.8%). Private transactions represent the third-most-important method for sending remittances, far ahead of electronic transfers (figure 2.1). This reflects, among other things, the presence of strong transnational social networks and the weak presence of the major companies that offer money-transfer services. The Jerez household survey indicates that receipts average US\$213 per capita per month, below the current statewide average of US\$340 (Conapo 2004).

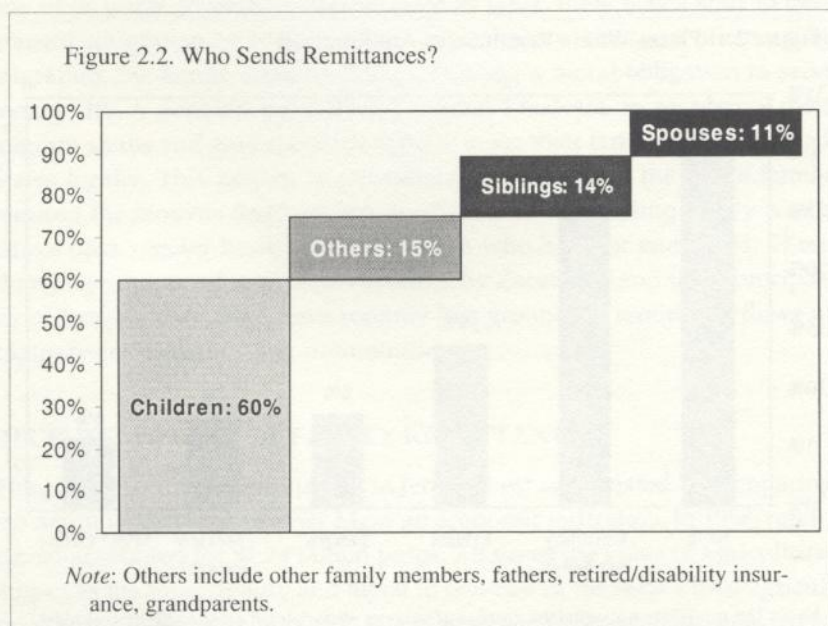
Figure 2.1. Places Where Remittances Are Received



Note: The total does not equal the number of surveys administered since some households receive remittances by more than one means. Other places not shown include Comercio, Western Union, travel agencies, savings accounts, DHL, and Envíos México. These account for less than 5% of the places where remittances are received.

vey. To select the units of analysis (households) in the city of Jerez and administer the 270 questionnaires, we randomly selected seven *áreas geoestadísticas básicas* (basic geostatistical areas, AGEBs, similar to census tracts in the United States). The survey was administered only in households that receive remittances and to the heads of household, which favored data collection on the effect of international migration and remittances.

Regarding who sends remittances, 60% are adult children and only 11% are spouses (figure 2.2). The best explanation for this is that the children, now grown and settled in the United States with their families, send money to support elderly parents. However, this percentage is so high that it can be assumed that many of the young, undocumented migrants who left in the 1990s also send remittances to their parents. This illustrates the effects of long-term international migration, the passage of IRCA, and the effects of the 1994 economic crisis on the people of Mexico, all of which helped to shift migration from a temporary pattern to a permanent one.



The survey sample also indicates that remittances are primarily utilized for household consumption: nutrition and health care (75%), housing (8%), and education (5%). Only a small amount (about 3%) is used to establish small businesses. International remittances repeat the same pattern seen with domestic transfers; they are both used primarily to meet a family's basic needs (Canales 2004).

The data related to trips to the United States by family members still living in Jerez again indicate that the recipients of remittances are elderly.



They travel only twice per year on average, in visits lasting between a month and a half and two months; and they spend at least US\$1,000 per trip. From this information, one infers the existence of a new family reunification pattern. However, it is now a pattern of temporary migration obeying economic rationales since it is cheaper for the migrants who have settled in the United States to send money to Mexico so that their parents can come and visit them. The siblings share the expense, and the parents stay with various of the children. The argument also holds true in the case of undocumented migrants. Because of the heavier patrolling of the border, undocumented migrants are no longer able to travel with the ease they could before 2001, so it makes sense for the relatives to come to the United States to see them.

Households in Jerez also remain in close telephone contact with relatives in the United States: 89% of the remittance-receiving households talk at least once a month, and 58.6% talk at least once every two weeks. Some 75% have conversations that last 20 to 30 minutes, and for 57.6%, the conversations are longer than 30 minutes. These figures show both the scale of transnational communication and the big business it represents for international telecommunications companies.

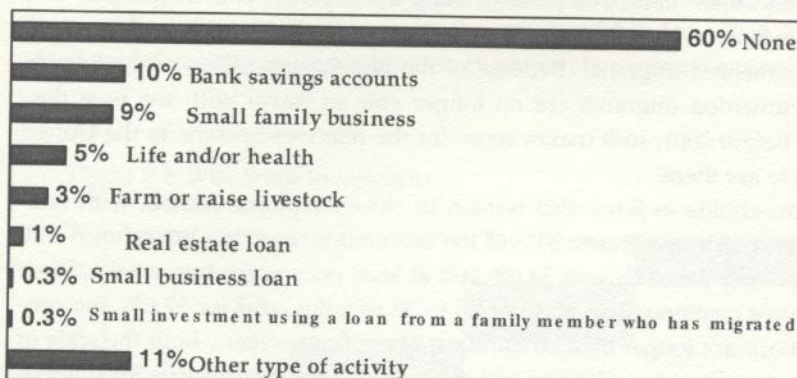
The innumerable *mercado paisano* ("nostalgia market") products that move from one side of the border to the other are also evidence of a strong transnational community whose center is the municipality of Jerez. The sending of cheeses, candy, chilies, seeds, mescal, bread, *gorditas*, and other goods to relatives in the United States corroborates the existence of this transnational community. It may also indicate the possibility of developing an agro-industry in the region that could exploit the nostalgia market.

The data show that 60% of the survey respondents are not economically active, with 30% being retired. Although 40% claim to have some form of employment, it can be inferred that the income from that work is insufficient to defray even basic household expenses (figure 2.3). Of those receiving remittances, 15% require special economic assistance to repair their houses, repay loans, and cover medical expenses. This speaks of the existence of two types of family or private remittances: those sent regularly and those sent to cover specific needs.

Importantly, the population of Jerez has very limited access to banks. Even though Jerez is one of the most important towns in Zacatecas, almost 84% of its inhabitants lack access to financial services. Of the small segment that does utilize banks, the recently transnationalized ones, including Bancomer and Banamex, handle 47% of the transactions; Banorte handles

30.4%. However, newcomer Banco Azteca already controls 4.3% of the accounts, and it is in the process of rapid local expansion (for more on Banco Azteca, see Bouquet in this volume).

Figure 2.3. What Type of Economic Activities Do You Maintain in This City?



From these data and additional information captured in the questionnaires, we surmise that a potential market for banking services exists among the migrant families of Jerez and other places in Zacatecas. As of now, the conventional banking system has not taken advantage of that market because it is more interested in capitalizing the state's debt bonds than in setting up branch banks in towns with fewer than 15,000 inhabitants. Thus, these smaller communities are excluded from the traditional banking system. Banco Azteca is trying to fill this vacuum by focusing on small-scale savers and recipients of remittances through a bold strategy of offering bank accounts, making loans, and selling household appliances, all under one roof.

Notwithstanding the generalized claims of remittance recipients that they do not have money, one must consider the period between the arrival of these funds and the moment when the recipients actually spend the money. Managed in the aggregate, remittances, when added to local savings and savings by migrants, could provide a solid base for an institution that is in the planning stages (García Z. 2003b). The Federación de Clubes Zacatecanos del Sur de California (Federation of Zacatecan Clubs of South-



ern California, FCZSC) and the Asociación Mexicana de Uniones de Crédito del Sector Social (Mexican Association of Social-Sector Credit Unions, AMUCSS), with the support of researchers from the Universidad Autónoma de Zacatecas and Georgetown University, are studying the possibility of a new community microfinance institution to serve Jerez and the southern part of Zacatecas. It would be based on remittances, local savings, and migrant investments; and its members would include residents of the communities of origin and migrant hometown associations in the United States. Certain international organizations would provide technical and financial support.

### EFFECTS ON WELL-BEING

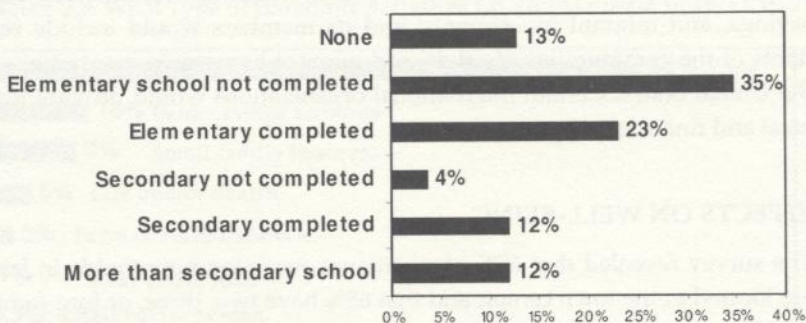
The survey revealed that 60% of remittance-receiving households in Jerez are located in the town center, and that 65% have two, three, or four family members. Additionally, 72.2% are women homemakers, and 67.6% of them claim to have no other form of income. This lets us infer that these households are heavily dependent on remittances for their survival.

Notably, 91.6% of those surveyed know how to read and write; 35% attended but did not complete elementary school; 23% completed all six years of elementary school; and 12% completed secondary school (figure 2.4). The urban nature of Jerez and, hence, the availability of schools can partly explain this high educational level. However, the availability of remittances in the past facilitated access to education. Several interviewees corroborated this when they pointed out that the principal positive impact of international migration on well-being was the ability it had given them to be educated and to own their own homes.

The construction or purchase of a house, which is frequently the original motive for migrating, is one of the most important positive impacts on families' well-being. Of those surveyed, 74.2% declared that they owned a home, that it had full utility services, and that it had been built more than 10 years ago. Moreover, 60% of those homeowners had not done any major repairs for at least the past five years. This speaks to the good quality of the construction used in these houses. It also appears that it has been many years since the community was at the stage in the migration pattern during which building and remodeling occurs. That stage marks success and social advancement, and elsewhere in Mexico and Central America it generally occurs during the early stages of migration. Thus, the multiplier effect of remittances on the construction industry and on regional commerce in

Jerez occurred some time ago, when those who are now elderly were seasonal migrants and were sending money back home.

Figure 2.4. Educational Level of Remittance Recipients



The survey indicates that recipients have a positive impression of the ability of remittances to promote household well-being. (Some recipients answered more than one question.) Of those interviewed, 83% believe that remittances benefit all members of the household; 48% believe that they are essential for the household; and 44% believe they are important but not essential, which suggests that this segment has additional sources of income. As to why remittances are important for well-being, 58% said that it was because they were able to invest in a house; 47%, because they had access to education; and 23%, because it helped them pay off debts. Other reasons included the fulfillment of basic needs, such as clothing and utilities, and access to better nutrition and health care. Finally, 76% of the recipients perceive that the members of households with remittances live better than those who do not receive them. They base this claim on seeing, firsthand, the experiences of families that do not receive remittances.

Regarding the level of awareness about the Three-for-One social investment program based on collective remittances, it is significant that 72% of the recipients said that they knew nothing about it. This is surprising because it is the most important state and national program for that type of project, and it originated in Zacatecas in 1992 (as the Two-for-One Program). During the 1990s, because of the efforts of migrant hometown associations in the United States, the rural communities in the municipality of



Jerez carried out the Two-for-One Program's most important projects. The lack of knowledge about the program may be due to the interviews having occurred in the town of Jerez, rather than in the rural communities where most of those projects took place. Additionally, elsewhere in Zacatecas, mayors have undertaken public campaigns to systematically inform people about the program and its activities, but that has not happened in Jerez. In either case, it is notable that residents in the town of Jerez only receive family remittances, sent from the United States for their maintenance. Thus, residents know little about collective remittances and the scores of community projects accomplished by the Three-for-One Program in communities like San Juan del Centro, Jomulquillo, and El Cargadero, located only 8, 10, and 12 kilometers, respectively, from the town of Jerez (see Orozco and Welle in this volume).

One must consider the possibility of political or ideological prejudices in the interviewed population, which would make them underrate the Three-for-One Program or pretend that they know nothing about it. It is possible that this explanation is the correct one, since migrants have been deeply involved in politics in an attempt to win posts in the local government. This has generated ideological debate among the various political parties and mobilized many people to oppose traditional politicians in favor of migrant candidates. This resulted in a confrontation between the political class, from all the parties, and the Zacatecan hometown associations in the United States. The members of those associations have not only collaborated in financing hundreds of social projects with collective remittances; now they are also claiming the right to binational citizenship, with full political rights to vote and run for office.

This transnational political and ideological struggle finally bore fruit, and in 2003 the constitution of Zacatecas was amended to permit dual citizenship for migrants and to recognize their right to hold office as *alcaldes* (mayors) and *diputados locales* (local assembly representatives). In 2004, migrants became mayors of Jerez and Apulco.<sup>2</sup> Two assembly seats were also won by migrants, one from the Partido de la Revolución Democrática (Party of the Democratic Revolution, PRD) and the other from the Partido

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<sup>2</sup> Andrés Bermúdez ("El Rey del Tomate") was born in Jerez and migrated to the United States in the 1970s. In 2001, he was elected as Jerez's *alcalde*, but the Instituto Federal Electoral (Mexico's elections commission) overturned the election because Bermúdez was not a current resident of Jerez. This sparked a battle, led by the FCZSC, to change the election law. In July 2004, after a state constitutional amendment, Bermúdez was elected and took office as *alcalde*.

Revolucionario Institucional (Institutional Revolutionary Party, PRI). These advances in political rights for Zacatecan migrants have served as a symbol for migrant organizations representing people from Michoacán and Oaxaca, which are pursuing similar struggles and initiatives. These changes are also a necessary precedent for considering the possibility that migrants in the United States might vote in the 2006 Mexican presidential election.

Finally, regarding the potential impact that international migration and migrants' savings might have on the establishment of businesses in Jerez, only 32% of those interviewed expressed any interest. Of that segment, 26% were considering starting a small business selling groceries, fruit, or building material; 18.4% wanted to sell clothing; and 14.3% planned to open a restaurant. From this, we can infer that entrepreneurial culture is weak and that the town's residents lean toward traditional business services. Perhaps the indifference toward productive investments is due to the limitations of the regional context itself or the advanced age of many of the recipients of remittances.

As noted, this is different from the expectations of the residents of Jerez's rural communities and their migrant hometown associations in the United States. These groups are very interested in moving from solidarity projects benefiting the community to productive projects supported by migrant investment, which would have a greater impact in terms of generating better-paid, permanent employment that could be a base for local and regional development. Particularly notable is the importance that the migrants give to promoting small agro-industrial projects. However, such projects can materialize only if new policies are put in place, along with better organization and entrepreneurial training for rural communities and their migrant hometown associations (García Z. 2004).

The maturation of the FCZSC over its 25 years of existence has enabled it to endow communities of origin with basic infrastructure and also made this federation one of the most important interlocutors with the state and federal governments. In recent years, the federation has met several times with representatives of the Ministry of Social Development to create new ways of institutionalizing the migrants' productive projects with matching grants from the three levels of government.

## CONCLUSIONS

The municipality of Jerez has a long history of migration, and many of its migrants are now permanent U.S. residents. California, a primary destina-



tion, is the source of a little more than half of the remittances sent to Jerez. In the past, remittances played a crucial role in enabling residents of the town to build or purchase their own homes and in giving them access to educational opportunities. However, the amount of money arriving in Jerez as remittances has dropped markedly during the past 15 years, partly as the result of IRCA, which encouraged family reunification. Today, most of the migrants who send money (60%) are adults supporting elderly parents still living in Jerez. The remittances primarily defray outlays for food, health care, clothing, and housing.

Clearly, the well-being of households receiving family remittances is enhanced in terms of nutrition, education, and housing. However, inequity also increases with respect to the families that do not receive remittances (Lozano 2004; Arroyo 2004). This poses a new challenge for public policy. To address inequity, it is necessary to implement compensatory policies that would involve the active participation of migrants and would focus on new options for programs in the areas of housing, education, medical services, elder care, and complementary insurance and financial services. Programs are also needed to stimulate productive investment by the migrants under a new institutional relationship of collaboration and technical mentoring by the three levels of government in Mexico (García Z. 2001).

To make these policies and programs more effective requires the establishment of a typology of the various kinds of individuals who are deeply affected by migration (wage earners, retirees, savers, and investors), and of remittances, which function and are applied with different logics and goals (for the family; collectively, for social projects; and for savings and investment). In strategic planning for productive projects, the inclusion of local actors (women, producers, *alcaldes*, and others) has demonstrated the need to propose complementary social policies at the federal and the state level. Such policies would address the social impacts of migration on children, women, and the elderly, and would also help reduce the yawning equity gap between the households that receive remittances and those that do not.

Some efforts are already under way. For example, the shortfall in financial services has led migrant organizations, university researchers, and officials from international agencies to collaborate in studying the possibility of promoting a new microfinance institution to serve southern Zacatecas, a region with one of the highest levels of international out-migration anywhere in Mexico. Other initiatives, involving organizations of local producers, migrant associations, academics, and international organizations, aim to promote and reinforce binational productive efforts. By going

beyond the scope of solidarity projects to also work on strategic planning and transnational institutional strengthening, these initiatives represent a qualitative change in the collaboration of various transnational social actors. Currently, significant potential also exists for local development derived from the existence of numerous rural communities with a strong presence of hometown associations and diverse Three-for-One social projects, which are part of what we can call the social policy of the Zacatecan diaspora. If adequate policies were created to support and mentor these efforts, this could create a path by which the migrant associations and their communities of origin could become significant new development actors. In this process, universities, nongovernmental organizations, and international institutions must play an important supporting role.

Despite these promising efforts to compensate for existing inequities, it is very important to highlight the empirical evidence in this chapter, since government officials in Mexico, Guatemala, El Salvador, Colombia, and Ecuador frequently speak of the potential that family remittances have as a source of financing for productive projects that could encourage local and regional development. They overlook the fact that such remittances are already earmarked to cover basic family needs, and only a minimal portion is invested in small businesses or commercial agricultural activities. It is crucial that these governments understand this as they attempt to design policies on international migration and programs to take advantage of the economic and social impacts of migration and the various mechanisms that migrants use to transfer money.