

THE MECHANISM OF REMITTANCE USE AND ALLOCATION OF MIGRANT WORKERS IN FOOD AND BEVERAGE INDUSTRIES AT INDUSTRIAL ZONE (1), MANDALAY

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Abstract

Migrant labourers have gained an important part in global economy, as the remittance migrants send their income to their families account for a significant share of the overall household income. Remittances are usually defined as the sum of workers' remittances, compensation of employees and migrants' transfers in the balance of payments (Ratha, 2003). However, remittance channel and allocation are important; remittances have directly influenced the livelihoods and poverty reduction of the households, as the money is often used to support their children' education, food, shelter and medical treatment. The aim of this research is to discover how the internal migrant workers from food and beverage industry, industrial zone (1), Mandalay cope to use and allocate their income. The objectives of this study are to explore how they use and allocate their income, and which channel is used for remittance transfer. The descriptive research design is applied in this research. Key informant interview, and Focus Group discussion are conducted. As the research outcome, these mechanisms of the use and allocation of their income include the various strategies to increase their income by migrating elsewhere in search of a new job and by relying more heavily on remittances, and balancing saving and expenditure, especially for their livelihood.

Keywords: mechanism, migrant worker, remittances, use and allocation

Introduction

Migration of people for labour is gaining importance globally, due to the remittances migrants send homes to their families. In 2013, a total of 232 million people migrated from their places of origin globally, a 33% increase from 2000 (UN, 2013). Their analysis of remittances sent home by international migrant workers from developing countries are estimated to be \$404 billion USD in 2013 (World Bank, 2014).

Migration and remittances have both direct and indirect effects on the welfare of the population in the migrant sending countries. Remittances have been found to have a stabilizing effect at both the macroeconomic level (World Bank 2006) and at the household level. Historically, remittances have tended to rise in times of economic downturns, financial crises, and natural disasters because migrants living abroad can send more money to help their families back home (World Bank 2006).

Remittances refer to the portion of an internal migrant worker's earnings sent to the place of origin. They are generally viewed as having positive net effects on the economic and social development of migrant-sending countries.

On the other hand, remittances are well known as livelihood strategies in developing countries which are highly diversified and build on a range of assets and activities. Migrants' savings that are not needed for personal or family consumption may be remitted for reasons of relative profitability of savings in the home and host country, and can be explained in the framework of a portfolio management choice. In contrast to remittances for consumption

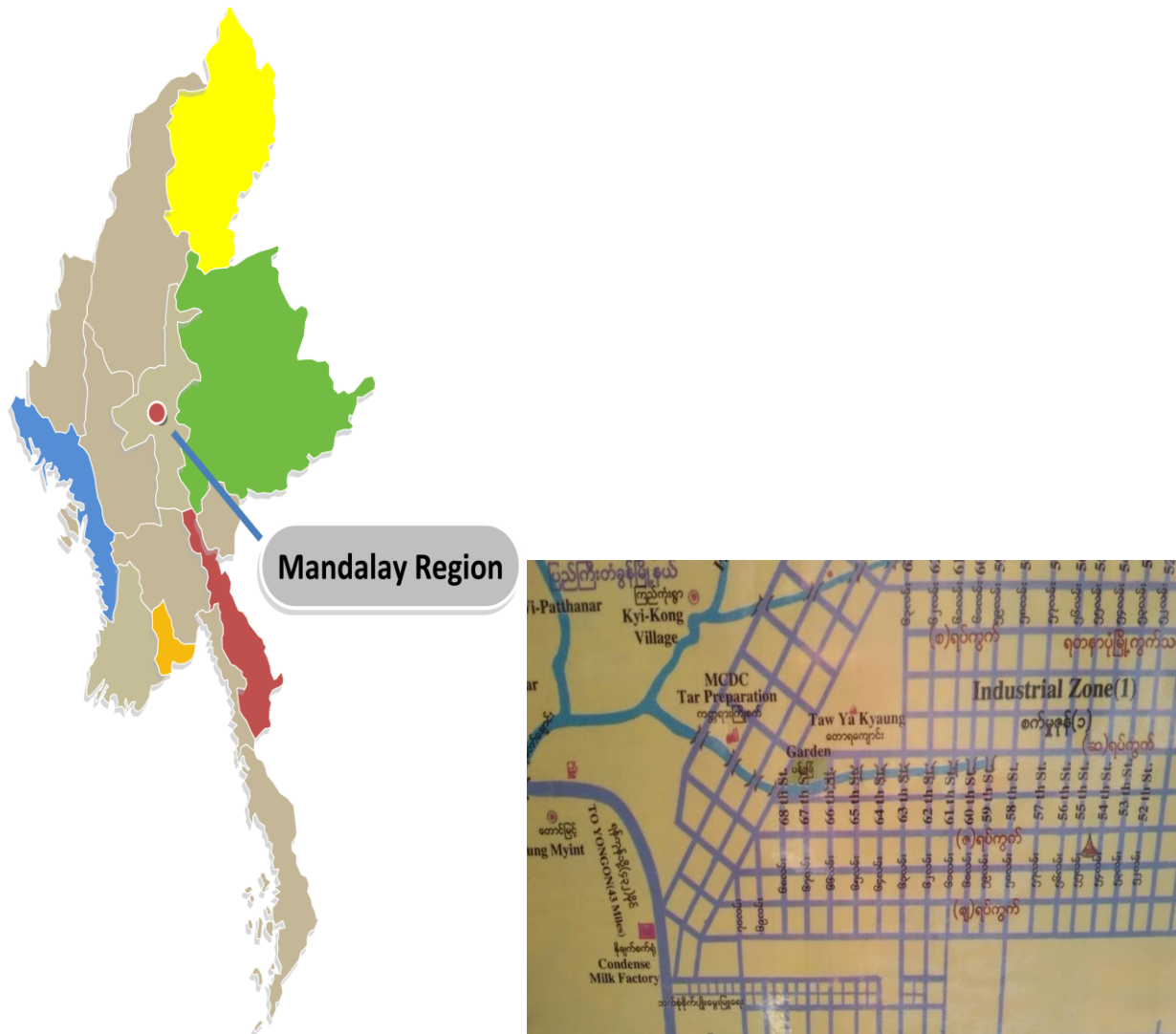
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purposes, the remittance of these kinds of savings have an exogenous character related to the system of migration, and are expected to depend on relative macroeconomic factors in the host and home country, *i.e.* interest rates, exchange rates, inflation, and relative rates of return on different financial and real assets (International Migration Outlook,2006).

Keeping in view the importance of this mechanism of remittance use and allocation of migrant workers, this study is an effort to understand the mechanism of remittance use and allocation of migrant workers in the selected target areas covering the Industrial Zone (1), Pyi-Gyi-Dagun Township in Mandalay Region.

Mandalay is economically active and fast becoming a major commercial and communication centre with border trade routes to China and India. Urban population has grown from 722,235 in 1994 to 875,252 in 2005 at a rate of 2.3 % per annum and urban area to 117 square kilometer (Mandalay's Immigration and National Registration Department, 2005). The City's municipal area consists of five administrative townships; Aung-Myay-Tharzan, Chan-Aye-Tharzan, Maha-Aung-Mye, Chan-Mya-Tharzi and Pyi-Gyi-Dagun. Geographically Mandalay is located at the point where North Latitude 20° 30' and 22° and East Latitude 96° and 96° 30' meet. The township is bounded by Chan-Mya-Thazi Township in the north and the west, and Amarapura in the south. Two industrial zones have been established at the southern urban fringe of Mandalay City at Pyi-Gyi-Dagun Township and 1,255 factories (2016-2017): workshops, food and cottage industries are operating providing employment to 15,932 persons. The study focused on Industrial Zone (1), which is located in Pyi-Gyi-Dagun Township, Mandalay Region. Among them, five food and beverage industries have been selected as the study site. Those industries are located in the west and south-west of the industrial zone (1). There are 182 food and beverage industries and 3,414 persons working there.

This study has a variety of mechanisms: how to cope with their problems which affect on their livelihoods. The objectives are how they use and allocate their income. Interviews with 400 migrant workers in their workplaces from five food and beverage industries were conducted. 249 males and 151 female migrant workers were chosen randomly with the permission of their respective managers. The respondents are 400 in total and they are Bamar Buddhists.



*Map of Industrial Zone (source from Township Labour Office)

The Mechanism of use and allocation of their income

A Mechanism is an established process by which something takes place. Remittances are an important part of economic resource for poor households worldwide, helping them to smooth income flows and to invest in assets and human capital. Remittances can be used in a variety of ways, and may increase access to other capital assets. For example, migrants usually rely on their networks in the place of origin for help in building houses, buying land and setting up businesses.

Cost of living expenses in Mandalay

According to the labour e Act on work and wages in Myanmar, typical working hours are 8 hours a day and basic salary is 3600 Kyat daily. This roughly matches the response to our questions on basic wages. Majority of workers stated that their average basic wage is between 108,000 and 135,000 kyat per month.

The following is a typical example of living costs from two interviewees; one is a 24-year-old woman working in the food and beverage industry. She lived in the factory’s hostel and

comes from a village of Myingyan Township. A 26 year old male worker from Magwe Region is on contract and he also lives in the factory's hostel. They work 6 days per week, 8 hours per day, earning 108,000 kyat per month; their basic wage is 3,600 kyat per day, or 108,000 kyat per month. The following is their approximate monthly

Table 1 Monthly budget for a female migrant Table 2 Monthly budget for a male migrant

Types of object	Amount of monthly
Foods (breakfast and other snack)	40,000
Thanaka (Traditional Burmese makeup/sun screen)	5,000
Washing soap	1,200
Toilet Soap and shampoo	2,000
Travel Costs (pagoda or market)	8,000
Medicine	3,000
Communication	10,000
Hair Cream	1,000
Other Daily Costs	8,000
Total:	68,200

Types of object	Amount of monthly
Foods (breakfast and other snack)	45,000
Cheroot and paan	6,000
Washing soap	1,200
Toilet Soap and shampoo	2,000
Travel Costs (pagoda or market)	9,000
Medicine	2,000
Communication	10,000
Hair Cream	1,000
Other Daily Costs	8,000
Total:	84,200

According to this monthly budget in Table.1, a female's living expenses is nearly 70,000 Kyats and a male's living expenses is estimated as over 8,0000 (excluding social and religious expenses), and so their income is enough for their basic needs. Moreover, a bonus is paid at the end of the month if the worker has not taken any days off for sickness. Furthermore, the rising cost of living is not reflected in commensurate pay increases. Most migrants live in hostels. The owners or employers provide three meals (breakfast, lunch, and dinner) employers. However, they can have their meal with meat only twice a week. For the rest, they usually have vegetable-meals.

One female worker interviewee explained the following:

“When I stay in hostel, my eating habits change because I cannot eat meat every day. The owner provide meat only twice a week.”

A 27 year old male migrant worker said that,

“Most migrant workers depend on their income. I mean that when I earn some money, I provide all the needs of my family. I never use it for any luxury. If I do not take care for myself, I will definitely be gone”

A 31 year old male migrant worker said that,

“The nature of my work is very tough, but their food is very light. For breakfast, I usually eat fried banana and fried egg,”

In general, the migrants buy and eat ready made food from street vendors and cheap restaurants. Moreover, majority of migrant workers bring back some long-lasting curries from their natives land to their hostel and share them with their co-workers.

Saving and Expenditure of their income

Remittance income does not just benefit individual recipients, but the local and national economies in which they live. Indeed, the spending allowed by remittances has a multiplied effect on local economies as funds subsequently spent create incomes for others, and stimulates economic activity generally (Sean Turnellet.al, 2006). Most migrant workers save their income every month. The average saving is 50,000 Kyat's or rather less than US\$40 (2016), representing nearly half the migrants' monthly income.

On the other hand, on the basis of research in Bangladesh, Afsar (2003) argues that remittances help to expand business in agricultural products and construction materials. Remittances also help to generate savings, the major source of capital in the absence of institutional credit on easy terms. She believes that migration and remittances have invigorated the land tenancy market in rural areas: so the proportion of tenant farmers increased from rural to urban.

Figure.1 shows that, migrants were asked about their plans for spending and saving of their income. In addition to the responses, migrants also added other plans of their own. Migrants were asked to list all of their plans (multiple response questions). A great proportion of migrants' savings is to support their families for their basic needs. About 46% (183) of migrants said that most of their income is saved to support their families.

On the other hand, remittances are frequently invested in their children and younger siblings' education. They believe that education may be viewed as a consumption good rather than an investment good (Song et al 2005, cited by Mengbing ZHU, 2016), so households may reduce their spending on education. As part of their household income, remittances sent back their family's increase household income affecting the consumption patterns.

A 48 year-old, packager said that,

“My family in my hometown is poor and children's education is important. So, I choose migrant worker life for my children's future. If not for my children, I would never come here to live such a hard life. The remittances are mainly spent for children's education and other expenses can be obtained in various ways. As a father “my children's education is very important and I have to take this responsibility for them.”

According to Figure 1, forty-five single migrants (11%) tend to save money. Fourteen Migrant workers (3%) said that the purpose of working in Mandalay was because, *“They want to marry next year, so they are saving money to prepare for their marriage. This accounts for their expenses.”* In fact, some young migrants consider their work in Mandalay as a good opportunity to save enough money for marriage expenses. Three percent of the migrants save money to cover or make a contribution to marriage expenses.

Moreover, building a new house to improve on the existing one is consistently reported in the literature as the most frequent use of remittances. In Ghana, Kabki et al (2003) found that the

majority of the migrants interviewed were investing in a house for their family, and that most of those who had not done so yet hoped to do it in the future. Thirty six migrant workers (9%) said they save money to build a new house, or to add a new housing unit to the family's house. There are the mains reasons for them to save money. Nine percent of migrants save money to build a house. Forty-eight migrants (12%) are saving money for education of children and siblings. Most migrants (74) want to buy plots of land, and buy home appliances and durable goods. 19 percent of migrants are saving to buy plots of land (Figure. 1).

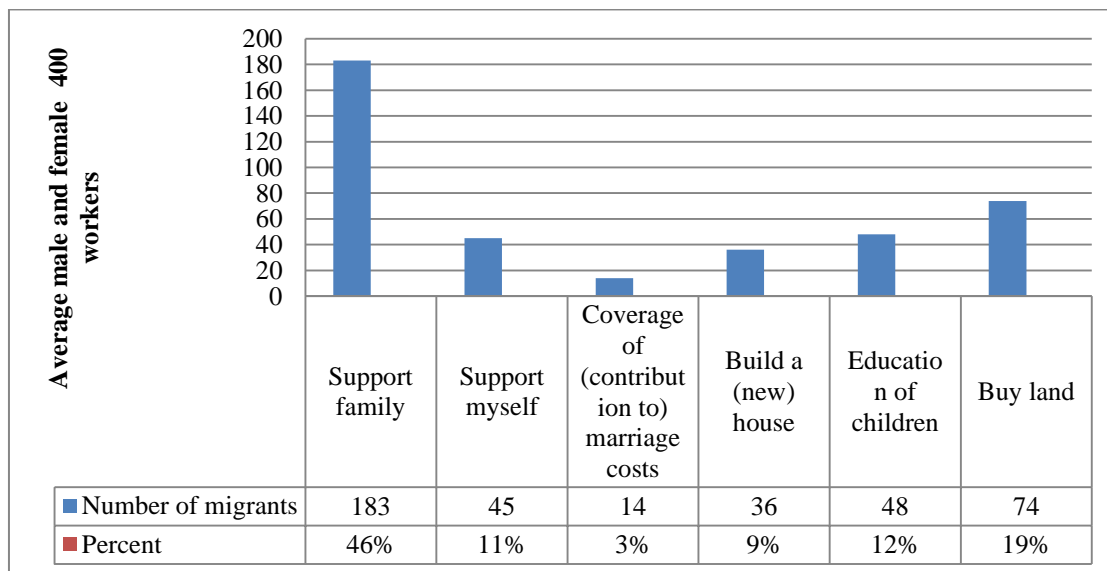


Figure1 Migrants' saving money in Mandalay

Migrants recognize the value of their savings and work to save more money. Majority of migrants expect to save more than their saving while working in food and beverage industries. Some migrants stated that they do not know how much they would save, suggesting that most migrants have some plans in mind for their earnings and spend carefully while working. In the focus group discussions with migrants, they mostly stated that between savings and remittances, they had retained about 50-80 percent of their income.

Among the different types of remittance use, improving the household’s living conditions is a key priority. This is especially the case for lower income households, who can use remittances to supplement other sources of income. According to Rahman (2015), remittances have an indirect impact on economic growth as they generate employment opportunities that lead to an increase in private consumption. As a result, private consumption may lead to economic growth because it generates investment demand through its multiplier effect. Remittances are mostly used on consumption and a small proportion is saved or used for investments (Mallick, 2008).However, it suggests that remittances are also used to buy consumer goods, such as domestic appliances, and migrant households may use remittances especially to repay debts.

On the other hand, migrants want to save money too but they find they are able to save less money than the amount they want to save. There is a problem when they want to send more money than the amount they have saved. Therefore, they borrow money from their co-workers or they take loans. Consequently, they are gradually lost in the debt. But, saving money seems to maintain much better relationship between migrant workers and their families even though they are separated.

Remittance uses vary greatly depending on variables concerning both the migrant (level of earnings, seasonal/long-term/permanent migration, etc) and his/her household back home (for instance, poorer households are more likely to use remittances to meet their basic needs). In this sense, what migrants and migrant households do with remittances largely depends on who they are. Moreover, remittances use also varies depending on the national and local context. For instance, using remittances to improve access to social services such as health and education may be the result of policy measures that negatively affect access to those services (e.g. structural adjustment).

The channel of remittance

Migration may affect left-behinds through two main channels. On one hand, acting as an insurance of total income, remittances may ease the budget constraint and change the living standards of the left-behinds. On the other hand, the mobility of labor may impose a social cost on left-behinds (Démurger, 2015), especially because the absence of parental migrants on children left-behind.

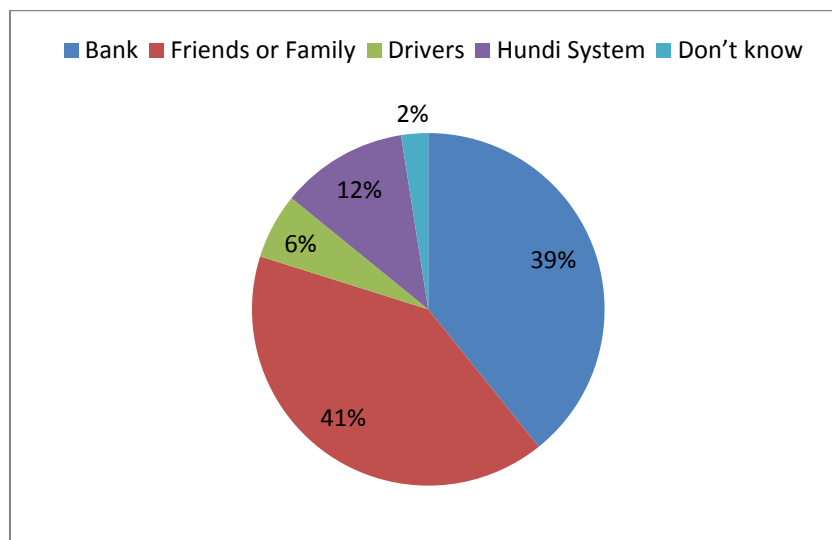


Figure 2 Migrant worker's Remittance channel

While migrant workers' remittances have the potential to boost economic development in poor migrant-sending communities, the prospective impacts depend on many factors, particularly on migrants' access to affordable and safe money transferring channels.

As presented in Figure 2, the majority of migrants who send money to the village while working in food and beverage industries send it with one of their friend, or families to the village. This method is used by 41% of remitters. Generally, they know who is going to return for two or three days in advance. When the time comes, they are ready to hand over their money for their families to that person. This is the usual way to transfer money between migrant workers. When they decide to send money they can easily find someone who is trustworthy to send money to the village. Transferring money through Bank draft ranked second with 39% remitters.

Sometimes, their ways of transferring money may be door-to-door services. 6% of migrants send their money to the villages through the drivers of buses, which are running through their migrated places and their native places. However, it is not very dependable because the

drivers may not know each and every family of the migrant workers. On the other hand, this way costs them less than other ways.

A 26 year-old, packager said that,

“In my hometown, many buses pass every day, so many people send money via the bus driver. Firstly, I am afraid of this way since we do not have any agreement on what would happen if the money was lost, but I have only a small amount of money and there is no need to be worried about that .We can use the post office if we send a lot of money, but it takes a long time.”

Sending money through the Hundi System is the least frequently used medium for remitting money to the village. Hundi so as labeled in Burma, are Hundi arrangements known under a variety of names in the many countries and cultures in which they operate. A related issue is the question of foreign exchange flows—or, rather, as the example shown above their absence. The Hundi mechanisms, because they are characterised as ‘netting’ or ‘book transfer’ methodologies, transfer value rather than currencies. Accordingly, and as long as settlement between the hundi dealers is not ultimately made in cash, hundi systems do not deliver to recipient places. As we shall see, this has implications—not least in that it hinders the development potential of remittances via the ‘leveraging up’ of such flows through formal financial institutions. Since hundi systems hide financial flows between countries, they can also be used for money-laundering (Sean Turnell, et.al, 2006).Only 12% remitters use this method. 2% migrants, however, do not know which methods they should use. As apparent from the above, at the core of the hundi system is trust. For the senders and receivers of remittances such trust is won by observation of the system in successful operation, and repeated dealings. Amongst hundi dealers themselves trust is often based on kith and kin relationships. So, some migrants used hundi system, that for their income per month.

Moreover, migrants do trust each other. Sending money with a returning visitor to the village is generally regarded as the safest way. The relationships among migrants who come from the same village is described as follows in his own words:

A 39 year-old, driver said that,

“We come from the same village. Everyone knows each other very well. Our families also have good communication. When I pass money to my family, I can give it with a person from my hometown. He or she goes and delivers it to my family before he or she even goes to his or her own house. We look after each other”.

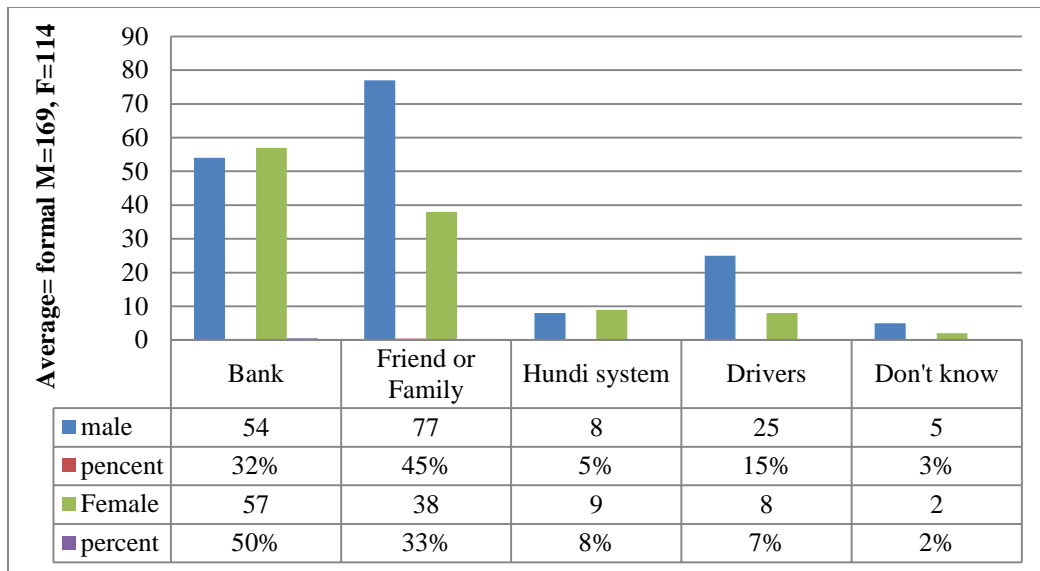


Figure 3 Male and female remittance channel

Figure.3 show that the two most commonly anticipated means for remitting money from Mandalay were through banks (male=32% and female=50%) but the rate of remittances sent through banks may be even lower than friend or family and a smaller number of migrants use *hundi* system to send money (male=5% and female=8%).

A32 year-old, packager said that,

“I hope to have a faster sending service from banks. If we expand this service not only in cities but also in rural areas, for example, it is very convenient for people in rural areas. They can find it very difficult and unsafe to go for hundreds of kilometers to get money out”.

About 45% of male migrants and 33% of female migrants usually send money via co-workers, friends or relatives. For example, every migrant is part of a social network: he/she is a member of the village community and is bounded by complex relationships with relatives, friends and the wider neighbourhood. In fact, the decision to move to a city can be heavily influenced by the existence of such networks in the area of destination. These relations provide migrants with information, reduce their transportation costs and other expenses, assist them in finding job and accommodation, and help them avoid risky situations.

Discussion and Conclusion

The majority of people in Myanmar has employed a variety of livelihood techniques, including migration, which shape social and familial relations. Internal migration flow is the most important economic aspect of remitted money that characterizes the migration stream.

Remittances depend on migrant workers’ access to financial services, such as money transfer intermediaries, that are affordable and safe. The impact is determined by the recipient households’ capacity to use the income for productive investments. Many recipient households in rural areas lack the opportunity and the ability to invest the remittances productively. While a good share of the remittances received is spent on household necessities, such as house building and transportation charges, relative sums of money are spent in ways which optimize their present and future life.

Moreover, remittances are a major source of support for households' livelihoods. The contribution to consumption in the short term (by enabling to pay for food, clothes, healthcare, etc), remittances can foster longer-term development through investment in education, land and small businesses. It can be assumed that labour migration can benefit areas of their origins and destination, as well as migrants and their families. There is a strong connection for internal migrations. However, only migrant workers' remittance cannot cover socio economic development and poverty reduction. The impact of remittances remains in dispute on whether, because the remittances can lead to overall socio-economic development or not.

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