Migrant Remittances to Central America and Options for Development

Research Paper

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Manuel Orozco

North and Central American Task Force on Migration

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The North and Central American Task Force on Migration is a non-governmental forum of academics, civil society and business leaders, and former policymakers in dialogue with current government officials created to facilitate a broadly driven solution dialogue among the countries involved in the crisis of migration and forced displacement in the region.

Initiated by the World Refugee & Migration Council with the Center for U.S.-Mexican Studies, El Colegio de México, the Migration Policy Institute and the Inter-American Dialogue, the task force will issue concrete recommendations for collective, regional action based on evidentiary research to promote responsibility sharing across North and Central America.

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Introduction

Remittances are the most visible economic activity among migrants that makes a strong contribution to the development of their home countries. These person-to-person private financial flows, directed to families back home, bring many benefits. Largely because of an obsolete model of economic growth that does not deliver wealth within their societies, people have migrated in order to be able to take care of themselves and their families. Central American migrants have been sending money to their relatives for decades.

Further leveraging remittances through financial access, education and investment would strengthen economic development, benefit entire communities, and ultimately reduce the need for Central Americans to migrate.

Migration and Remittances

A 2019 study by Creative Associates found that 25 percent of people from Guatemala, El Salvador, and Honduras have considered emigrating; in 2021, the percentage in El Salvador increased from 24 to 36 percent. Generally, people who have considered migrating reported exposure to tough economic situations and instances of victimization to a greater extent than those who had not considered emigrating. They also have more extensive transnational family ties than those who have not thought about migrating. For those living in this region, individual experiences and specific characteristics are commonly associated with thoughts of migration; these include being young, a low skilled or informal worker, unemployed, a skilled worker with at least a high school education, living in a low-income household, having an unfavorable outlook on their future economic situation, experiencing victimization, and having transnational ties. Notably, youth are twice as likely to consider migrating than their older counterparts.

Additionally, a range of economic issues influences whether or not residents from these countries consider migrating. People are 1.24 times more likely to consider migrating if they live in a household earning less than $400 a month and cannot make ends meet. Those that believe conditions are worse off today than the previous year are 1.67 times more likely to think about migrating. Labor market conditions and transnational ties also matter, although merely having a relative abroad does not necessarily make a person more likely to consider migrating. In all three countries, receiving remittances has greater statistical significance than having a relative abroad. However, the statistical interaction[1] between receiving remittances and having a relative abroad is significant and yields a 71 percent chance that the person has thought of migrating. Overall, receiving remittances has become an economic source of survival and prosperity.

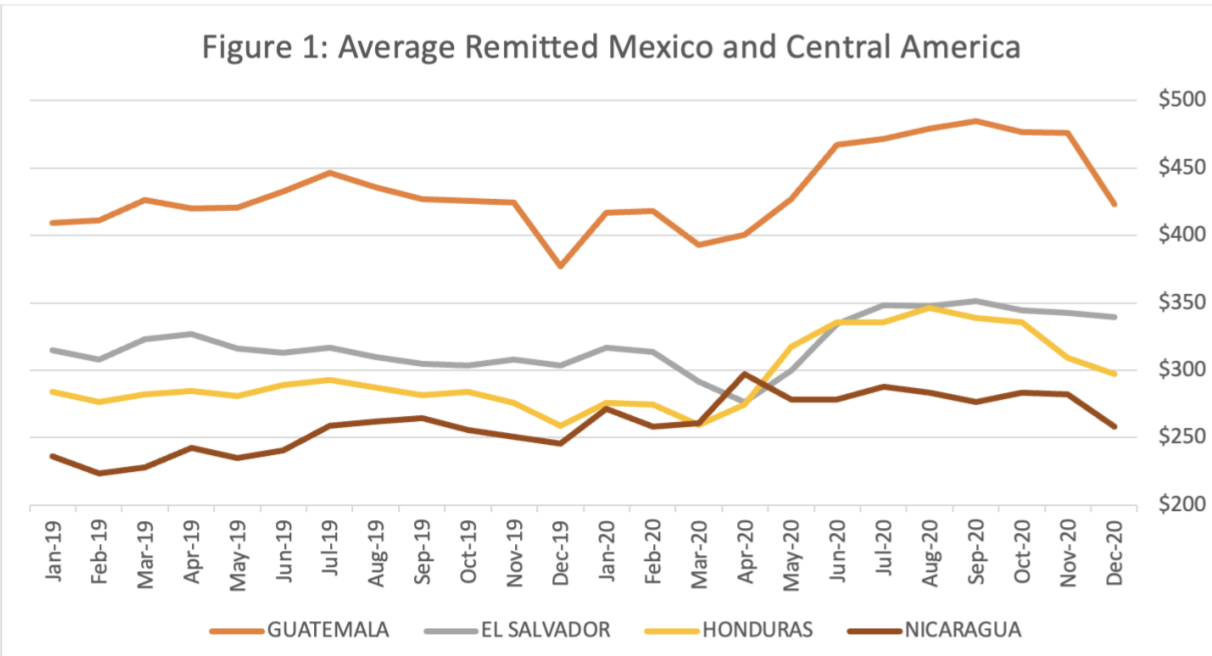
[1] In statistical analysis, two variables *interact* when a particular combination of variables yields results that would not be anticipated based of the main effects of those variables.

Understanding Remittances to Central America

In 2021, the flow of remittances to Central America will amount to over US$30 billion, exhibiting unprecedented growth of over 30 percent and representing 23 percent of GDP. In other words, one in four US dollars in northern Central American national economies are migrant transfers.

The growth in remittances growth is far greater than migration growth, even with the outflow of 1 million Central Americans in 2021. Moreover, growth in remittance volumes does not match person to person transaction growth. Transaction growth was lower and not associated with migration levels, but rather with more migrants already in the US sending money and sending higher amounts.

It is important to understand remittances by the number of senders and the transactions that accompany them. Until 2016, each migrant sent an average of US$240 per remittance, approximately 16 times a year. That amount has continued to grow every year in higher percentages and has reached over $300 per remittance.



Source: Data from money transfer companies.

In 2019, person-to-person transfers increased by nearly 200,000, while the number of new immigrants (less than two-thirds of which start remitting the same year they arrive) was 78,000, or 2 percent of all migrant remitters. At the same time, the number of transactions increased by an average of 6 percent. In other words, we estimate that 90,000 migrants from El Salvador, Guatemala, and Honduras sent at least 20 percent more than the average amount typically remitted. This accounts for the difference in the increase in volume.

Table 1. Remittances to Guatemala, El Salvador, and Honduras, (2019)

	Volume Growth	Transaction Growth	Increase in Transactions	Migration Increase
Guatemala	13.1%	4.3%	63,256	32,218
El Salvador	3.3%	4.9%	62,381	26,843
Honduras	14.0%	8.8%	68,647	19,153
All three countries	---	---	194,284[a]	78,214

Source: Central Bank data; Author's estimates on migration. We estimated 75% out of 114,070 as individual p2p transactions, accounting for the increases in the frequency remitted.

In Nicaragua, the growth of remittances is explained by both migration and increases in the amount remitted. In another study of remittance recipients in Nicaragua, we found that 10 percent of Nicaraguans said the amount they receive in remittances had changed since the crisis and reported receiving an average of $240 per month. This compares with the $220 received by those who said their amounts had not changed. We also found that remittances are being sent more frequently; the 10% who said the amount they received following the crisis had changed are receiving an average of US$3900 annually, compared to the US$2760 received by the other 90 percent.[2]

The growth of remittances to Nicaragua is notable, given that the inflows of migrants caring for their relatives has been the country's only positive macroeconomic indicator while the political crisis continues to weaken the economy. As of 2021, remittances will carry 18 percent of the country's GDP, up from 11 percent in 2018.

For all of Central America, remittances have continued to exhibit significant growth and signal important dynamics for migrants, reflecting empathy in light of the economic deterioration and insufficient health protection against COVID-19 in their countries of origin. As a result, Central Americans are sending 28 percent more in remittances than they sent in 2020.

Leveraging Remittances for Development: Some Recommendations

Externally dependent and highly informal economies will be more severely affected by the pandemic, as these countries exhibit the lowest economic complexity and higher income losses. The loss of over 10 percent of per capita income has a larger effect on the informal sector where migration originates. This set families back to 2017 levels, and in 2021, per capita growth is expected to be below 2 percent.

[2] Data on remittance recipients collected among people receiving remittances at AirPak facilities, December and January 2020.

Table 2. Per Capita GDP in Central America

Time	El Salvador	Guatemala	Honduras	Nicaragua	Costa Rica
2016	$ 3,806	$ 4,173	$ 2,343	$ 2,108	$ 11,666
2017	$ 3,910	$ 4,451	$ 2,454	$ 2,159	$ 11,815
2018	$ 4,068	$ 4,473	$ 2,506	$ 2,021	$ 12,112
2019	$ 4,187	$ 4,620	$ 2,575	$ 1,913	$ 12,244
2020	$ 3,810	$ 4,666	$ 2,395	$ 1,817	$ 11,876

Source: World Bank Development Indicators.

In light of the recession's severity along with economic drivers of migration, it is important to introduce a systemic economic stabilization approach that taps into all economic sectors beyond economic enclaves (such as tourism or agriculture). Target populations should be those at risk of migrating, which are those largely based in industries heavily hit by the pandemic and natural disasters, as well as informal workers without income protection through unemployment, personal savings or other insurance mechanisms.

It is important to highlight that less Central American migration to the US, combined with the possibility that migrants' capacities to send higher amounts may eventually wear out, could lead to declines in transaction growth. While the volume of remittances to the region have exhibited annual growth over 10%, individual person-to-person transactions have not shown the same increase (see table below). As deportations and apprehensions at the border increase, coupled with declining or stagnant net migration, a slowdown in remittance volumes is likely to continue and to spread. It is worth pointing out that Honduran migration continues to be strong and may explain some of the growth in remittance volume.

Table 3. Person to person transaction growth in El Salvador, Guatemala, and Honduras

	2014	2015	2016	2017	2018	2019
El Salvador	-1%	3%	4%	2%	3%	5%
Guatemala	11%	12%	10%	6%	1%	4%
Honduras	11%	8%	4%	-11%	5%	9%

Source: Central Bank data.

Specifically, this paper recommends leveraging remittances by formalizing the savings of remittance recipients. These can then be mobilized for credit in the local economy and can contribute to both the informal sector and new strategic sectors, such as those associated with the knowledge economy.

Overall, the vast informal sector should receive more attention, especially considering that it comprises over two-thirds of the labor force and business sector. It is euphemistic to talk about the private sector in Central America when most of these enterprises are one-person businesses with earnings that do not generate substantial wealth. At the same time, addressing informality has proven to be difficult and largely unsuccessful: Central America has not managed to reduce the size of its informal sector in the past 40 years. It is a systemic, chronic problem that cannot be resolved as part of a single strategy because it is connected to human capital; those in the informal economy are unskilled, uneducated, underpaid, and therefore non-competitive.

Keeping these issues in mind, we can identify common areas of intervention that, together, can generate more than US$250 million in savings, which can then be mobilized as credit to generate 60,000 jobs and produce over one billion dollars in revenue. The proposed approach consists of leveraging the region's human capital to: (a) increase its competitive capacity across informal and formal businesses; (b) formally employ its labor force abroad; (c) use migrant foreign savings (savings increased from remittance recipient's income) as a financing base; and (d) promote a guest worker program to have a positive effect in the increase of remittances.

These efforts seek to invest in the competitive capacity of the region's human capital by digitizing and modernizing the informal sector, increasing financial access to formal businesses, and promoting knowledge entrepreneurship as means to offer education services.

(a) Savings formalization on a nationwide scale to reduce migration

One of the key factors associated with migration is that migrants send money back home. The contribution of remittances to the region's economy is significant, representing 22 percent of GDP for the four countries. These flows are the largest source of foreign exchange in the region and generate disposable income for at least 4 million households (in a region with 14 million households).

Moreover, remittances increase disposable income and offer opportunities to build wealth. However, those opportunities sought through migration insofar as incentives to invest savings are limited. Within the context of the pandemic, those who stopped receiving remittances were more likely to migrate and were motivated to invest their income as they recover from the crisis.

Table 4. Family remittances to Central America

Indicators	Costa Rica	El Salvador	Guatemala	Honduras	Nicaragua	Central America
Migrant senders	125,000	1,088,503	1,500,000	755,556	750,000	4,219,059
Remittances in 2019	$518,197,025	$5,650,270,000	$10,508,307,400	$5,384,500,000	$1,682,400,000	$23,743,674,425
Remittances 2020	$505,800,000	$5,896,799,100	$11,202,258,071	$5,615,072,000	$1,828,500,000	$25,048,429,171
Remittances 2021 est.	$525,000,000	$7,708,922,000	$14,742,540,327	$6,966,375,000	$2,1291,10000	---
Rem. Growth 2020	-2%	4%	7%	4%	9%	---
Rem. Growth 2021	5%	30%	30%	25%	15%	28%
From USA	65%	90%	90%	80%	60%	---
US Outbound 2020	$328,770,000	$5,307,119,190	$10,082,032,263	$4,492,064,800	$1,097,100,000	$21,307,086,254
US Transfers	81,250	979,652	1,350,000	680,000	450,000	3,540,902
Trade Growth 2020	1%	-14%	-1%	1%	6%	---
Tourism growth 2020	-58%	-63%	-75%	-68%	-53%	---
GDP growth 2020	-4%	-9%	-3%	-3%	-4%	---
Remittances (%) GDP 2020	1%	23%	14%	24%	14%	18%
Remittances (%) GDP 2021	1%	31%	18%	27%	18%	22%
Migrants / Pop	3%	20%	11%	9%	14%	11%
Number of Households Receiving remittances	*8%*	*59%*	*32%*	*27%*	*40%*	*33%*

Source: Orozco, Manuel. Central Bank Data; For GDP growth and Remittances GDP, ECLAC. Growth of remittances based on author's estimates as of July 2021.

From a development perspective, an approach to deal with mitigating the source factors of migration includes leveraging wealth generation, which can substantially contribute to increased earnings. Therefore, it is important to integrate the economic contributions of migrants (such as remittances) and link them to strategies for asset building, particularly local savings formalization and mobilization (through financial education and credit) and investments in human capital, like education.

Migrant investments, donations, and remittances can be leveraged to build both human and economic capital in more migration-dependent countries and localities. Furthermore, remittance and migration-related value chains are associated with savings and offer opportunities for asset-building.[3] We have demonstrated that the increase in disposable income from remittance transfers increases savings capabilities.

Our research and work in the Central America region show that financial advising can help formalize at least 20 percent of savings among remittance recipients. Moreover, savings formalization reduces the intention to migrate. Formalizing savings not only helps people to build wealth (which is negatively correlated with the intention to migrate), but also helps communities by making informal and formal capital available for local entrepreneurs.

Formalizing and mobilizing savings as credit will enhance a new competitive and productive space for entrepreneurs. At its core, savings mobilization targets entrepreneurs in a largely informal and non-competitive setting. The informal economy lies at the intersection of underdevelopment, root causes of migration, and migrant capital. In this sense, expanding credit to new sectors — such as education and skills development — for which no substantial financing has existed before, will increase productivity.[4] Additionally, it is important to reorient investment with existing resources, including those leveraged from remittance savings. A strategy that annually formalizes and mobilizes 25 percent of savings among 3.5 million remittance recipients will bring US$250,000,000 into the formal financial sector, while generating profits.

The table below shows three possible scenarios of savings formalization among recipients. A strategy targeting 25 percent of remittance recipients would bring US$50 million in savings to the three main countries, which could then be leveraged and catalyzed.

[3] See for example, Chapter 6 of Manuel Orozco's "Migrant Remittances and Development in the Global Economy."
[4] Financing for education is typically only available for college education in private universities. However, financing education is key to economic growth and development.

Table 5. Savings formalization among remittance recipients

Indicators	El Salvador	Guatemala	Honduras	Nicaragua
Migrant senders 2020	1,088,503	1,500,000	755,556	750,000
Households receiving remittances	59%	32%	27%	40%
Scenario A				
Number of people receiving financial advice (50%)	544,252	750,000	377,778	375,000
People formalizing savings Y1 (25%)	136,062.88	187,500	94,444	93,750
Volume formalized & to be mobilized into credit	34,015,718.75	46,875,000	23,611,125	23,437,500
Scenario B				
Number of people receiving financial advice (25%)	272,126	375,000	188,889	187,500
People formalizing savings Y1 (25%)	68,031.44	93,750	47,222.25	46,875
Volume formalized & to be mobilized into credit	17,007,859.38	23,437,500	11,805,562.50	11,718,750
Scenario C				
Number of people receiving financial advice (15%)	163,275	225,000	113,333	112,500
People formalizing savings Y1 (25%)	40,818.86	56,250	28,333.35	28,125
Volume formalized & to be mobilized into credit	10,204,715.63	14,062,500	7,083,337.50	7,031,250

The financial sector, including the Development Finance Corporation, could match those savings and expand its credit to 10 percent of formal microenterprises, while international cooperation and national governments would work on formalizing 2 percent of existing informal businesses. These numbers are important because the presence of informality is systemic and affects at least 13 million workers, of which nearly 10 million are informal.

The banking system in Central America has a large amount of liquid assets; however, it is risk averse when it comes to credit because of low productivity levels in micro and small businesses. However, the financial sector can take greater risks by working with 10 percent of competitive firms in this category; this encompasses some 700,000 formal businesses, of which the majority are two-person businesses.

The role of the state is to incentivize banks to take greater risks and regulate financial inclusion measures to support greater access. In the first case, taking advantage of the credit guarantees by OPIC or the Development Credit Authority (DCA) would mitigate risk. Moreover, implementing a type of Community Reinvestment Act would work with local economies and businesses. Increasing credit to 75,000 formal businesses to modernize, improve capacity, and generate one new job per business would yield significant results.[5]

A $40 million dollar investment over three years in formalizing and mobilizing remittances can impact at least 1,000,000 households a year, formalize savings of 30 percent and decrease chances for migration for at least half of those (150,000 people). This strategy increases wealth and cuts migration on the first mile.

(b) Increase economic complexity: invest in the knowledge economy

Promoting a more qualified labor force through training in key areas and strengthening the knowledge economy is a central step to mitigate migration. Central America's challenge is partly associated with its limited economic complexity, which today is the core of productivity and wealth. According to Harvard's Center for International Development, economic complexity is a:

> "measure of the knowledge in a society that gets translated into the products it makes. A country is considered 'complex' if it exports not only highly complex products (determined by the Product Complexity Index), but also many different products. The more complex a country's economy, the stronger its infrastructure and the more adaptable it is to market changes."

As mentioned above, regional integration into the global economy has concentrated on activities that are still enclaved or whose labor force has not earned enough capital to compete on a national scale. Specifically, the country's ability to produce complex outputs is still quite limited. Looking at its exports, which is a central measure of economic competitiveness and complexity, Northern Triangle exports are concentrated in few economic activities. In fact, according to the Index of Economic Complexity, Guatemala and Honduras are ranked 74th and 80th out of 127 countries with limited economic complexity (Costa Rica is ranked 46th, by comparison). Investments in the knowledge economy can fundamentally contribute to improving economic complexity.

This perspective of investing credit (leveraged from remittance savings) into services in the knowledge economy is fundamentally important because it addresses various strategic needs;

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[5] According to the Federal Deposit Insurance Corporation the "Community Reinvestment Act (CRA), enacted by Congress in 1977 (12 U.S.C. 2901) and implemented by Regulations 12 CFR parts 25, 228, 345, and 195, is intended to encourage depository institutions to help meet the credit needs of the communities in which they operate."

specifically, it tackles both low productivity (which yields low incomes, typically below US$400 a month) and highly informal economies, which are both statistical determinants of out-migration.

Such an approach integrates migrant capital investment and savings from remittances into the financial sector, further mobilizing these resources for local development in education, skill formation and trade. This strategy also expands on and complements existing approaches and financing of economic growth, while also creating a new model for much-needed investments in services for the global economy.

Moreover, making investments in savings and education as a business strategy will lead to more opportunities to work and compete in the knowledge economy. In a project in Guatemala, providing business coaching to 190 microenterprises working in the Western Highlands on knowledge service significantly impacted the local economy. For example, knowledge economy entrepreneurs who received technical assistance to increase their competitiveness exhibited a higher demand for employment and showed greater increases in their income. Wages paid by entrepreneurs are 12 percent higher than the average income for employees in other categories of business, and 170 percent higher than the income for an agricultural daily laborer. Furthermore, these businesses invest an additional US$7000 on average to improve their operations.[6]

Investing in education to complement the existing public education system in areas with higher migration rates also tackles youth at risk of migrating. As the first section showed, nearly half of all people detained or apprehended at the US Southwest border are minors, of whom 30,000 are traveling on their own.

(c) Tackle the informal and unemployed labor force

Economic performance in the region is shaped by low levels of productivity associated with a large amount of informal businesses and workers. Most businesses are one-person enterprises operating in saturated merchandise markets without municipal or government registration (largely due to excessive financial and time-related costs), without access to financing, without substantive links to value chains, with limited market access, and without making tax contributions.

In turn, government revenues are not only low, but competitiveness is highly limited to near zero profit margins for these businesses' commercial operations. Thus, economic growth is constrained.

Despite evidence that business formalization increases employment and revenues, governments, donors and the private sector often struggle to focus on this issue in a systematic and strategic manner. Therefore, any approach to economic development and mitigating migration depends on establishing a firm business and labor formalization strategy. At a minimum, development strategy should focus on ways that formalization maximizes revenue opportunities.

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[6] Coaching interventions have a very positive effect on business competitiveness and performance. Business coaching is tailored for each entrepreneurs' needs and schedules. Support typically is aimed at strengthening knowledge services or knowledge and technology in their value chain and operation. For example, a tourism entrepreneur was able to increase profits when he was operating in a deficit. He developed adequate costing procedures using excel forms, and acquiring government permits as a tour operator and thus increasing its client base. In another example, an entrepreneur through business planning created combos for low selling days and making even the slower ones profitable.

A conservative approach would focus on an investment to formalize a certain number of microenterprises in order to enhance their competitive capacity. As the table above shows, there are fewer than 800,000 formal businesses and 3 million informal ones. A modest effort to formalize a fraction of informal businesses every year would increase wealth regionally.

The strategy should focus on businesses more likely to succeed as revenue generating operations and who have the goal and capacity to generate one more job. On the national aggregate, they will absorb one out of five new workers entering the labor force. In practical terms, this means formalizing 60,000 businesses in Central America in order to generate employment for an additional 60,000 workers.

Table 6. Labor force and business indicators (2017)

Indicators	El Salvador	Guatemala	Honduras	Northern Triangle
Labor force indicators				
Labor force	2,799,821	6,613,075	4,203,333	13,616,229
Formal jobs	660,000	1,700,000	850,000	3,210,000
Informal workers	1,959,875	4,629,153	3,152,500	9,741,528
Unemployment	139,991	330,654	210,167	680,812
Annual increase of labor force	50,000	201,991	100,000	351,991
New Annual formal jobs	6,000	20,000	8,500	34,500
Annual informal work	40,500	165,000	85,000	290,500
Business composition				
Formalized businesses	167,000	400,000	175,000	742,000
Informal businesses	668,000	1,600,000	700,000	2,968,000
Microenterprise (1-10) (2)	95.80%	90%	95.80%	3
Small business (10-50) (20)	3.10%	7%	3.10%	0
Medium size (50-100) (68)	0.40%	1%	0.40%	0

Large businesses +100 (330)	0.30%	2%	0.30%	0
Financial access and business investment approach				
Credit to 10% of formal microenterprises	$83,500,000	$200,000,000	$87,500,000	$371,000,000
Formalization of 2% of microenterprises	13,360	32,000	14,000	59,360
Revenue from 17,000 knowledge entrepreneurs	$36,000,000	$120,000,000	$48,000,000	$204,000,000
Savings from conversion of remittance recipients	$17,007,859.38	$23,437,500.00	$11,805,562.50	$52,250,921.88
Expected increase in employment/jobs	33,060	82,000	35,500	150,560

Source: Orozco, Manuel.

A focus on the informal sector is necessary but also urgent, particularly given the way the pandemic has had a direct negative effect on growth. Specifically, COVID has impacted sectors outside the modern economy (digital financial and economic segments) that were unable to quickly adapt to social distance and quarantining processes.

Central to the region's recovery and migration mitigation is a stabilization program that targets a critical population of the labor force: its private sector and the most vulnerable members. Businesses in the informal economy make a very small contribution to national income but capture more than half of its labor force. In terms of the pandemic's economic impacts, these businesses and workers did not lose jobs, but stopped working for the equivalent of one month of income, losses that are unrecoverable in the short term.

Table 7. Economic indicators for Central America (2019-2020)

Country	El Salvador	Guatemala	Honduras	Nicaragua
The economy				
Population	6,486,446	16,863,113	9,906,017	6,625,984
PC Income 2019	$ 4,187	$ 4,620	$ 2,575	$ 1,913
GDP (Current USD) 2019	$ 26,630,254,000	$ 81,049,642,701	$ 24,665,017,253	$ 12,535,599,610
Day losses of work during the pandemic 2020	17%	11%	18%	10%
GDP 2020	$ 24,829,061,786	$ 78,395,403,354	$ 23,694,883,946	$ 12,012,517,195
Growth 2020	-7%	-3%	-4%	-4%
PC GDP 2020	$ 3,828	$ 4,649	$ 2,392	$ 1,813
Growth Inform	-11%	-7%	-6%	-4%
Growth Formal	-6%	-2%	-3%	-4%
PC GDP Growth2020	-9%	1%	-7%	-5%
The informal sector 2020				
Informal Economy Contribution to GDP 2019	$ 5,858,655,880	$ 17,830,921,394	$ 5,672,953,968	$ 3,133,899,902
Size of the informal economy (%)	62.88	72.77	75.55	74.91
Size of the informal labor force	1,754,332	5,277,045	3,486,741	2,283,746
Size of the labor force	2,789,969	7,250,681	4,614,534	3,048,653

Source: Orozco, Manuel. About the economic impact of the COVID-19 crisis on the region. August 2020. Creative Associates. Orozco, Manuel. Global flows of Family Remittances, February, 2021. Creative Associates.

Entrepreneurship modernization is necessary to help societies adapt to changing dynamics in the post-pandemic period, which have further emphasized working in both knowledge and digital economies.

Helping these businesses and workers adapt to a post-COVID, globalized world is essential, as it helps maximize economic recovery from the pandemic while advancing into a more competitive environment.

One area that requires attention is the further integration of businesses into the digital economy. This can be done through internet-based data storing and processing across all economic sectors and intermediaries (such as money, information, or connectivity). Skills training, along with technical and financial support, should be aligned to strengthen workers and businesses in the digital and knowledge economies, which assures that microenterprises are accessing digital tools.

(d) Introduce a competitive mechanism for the H2B visa program for 20,000 individuals

The presence of historic and contemporary migration that has continued across similar countries for the last decade means that there are family and labor ties, signifying the demand side of migration to the United States. Therefore, it is important to focus on increasing low skill visas (H2B) to those in the region as a measure to mitigate irregular migration while meeting American demands for foreign labor. Increasing low skilled visas and the creation of a competitive guest worker program can effectively reduce irregular migration.

This approach would improve the chances of regular migration, especially compared to the odds of making it into the United States without papers. Those who migrate with papers will be able to earn decent wages that enable them to send larger remittances home; once leveraged, these remittances can increase wealth and reduce migration going forward.

We propose to promote and market a guest worker program through a lottery system for 20,000 workers with 1-15 odds. The system consists of two components: access to a lottery and technical training. Once at least 200,000 people apply, many of which would likely be among those with an intention to migrate, the lottery will close. While the odds are higher than those from irregular migration (who currently bet for a 1 in 5[7] chance of making it through the US border irregularly under uncertain and insecure circumstances), competing for a seasonal, well paid, secure program with the opportunity to build savings will create traction.

Offering 20,000 low skill visas to work temporarily in the United States would attract a larger number of applicants who otherwise would risk moving without papers. Second, those applying and participating in the lottery will benefit from technical skills training that can improve a second chance the year later or for a better job in the local economy. Targeting a population group that is more likely to migrate will ensure that a higher number of people find the incentive to stay.

Moreover, those with formal legal status tend to send 15 percent above the average remittance transaction, therefore increasing opportunities for economic stability and wealth generation as leveraged through the savings formalization and mobilization strategies.

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[7] The odds of making it in 2018 were about 1 in 5, with 80,000 out of 425,000 people who crossed the border.

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