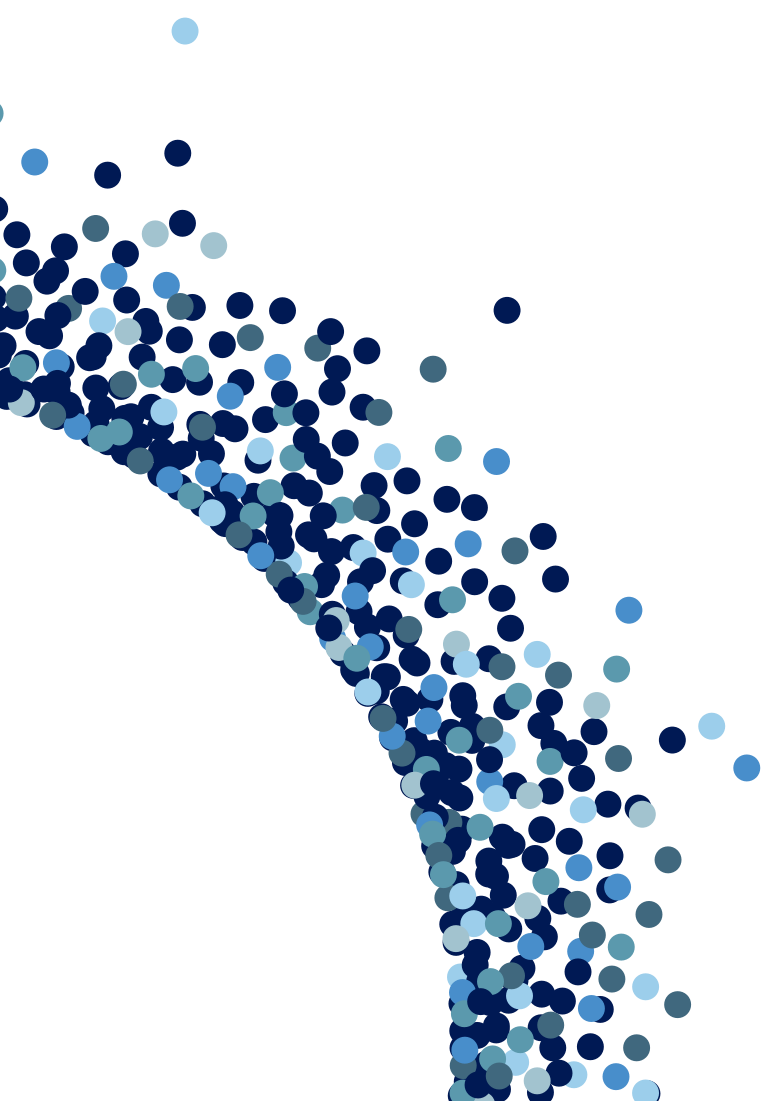




BRIEFING

Migrant Remittances to and from the UK



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This briefing describes remittance flows both to and from the UK. Remittances are transfers of money from residents of one country to residents of another country and are often associated with migrants sending money to families and communities.

Key Points

There is no official mechanism for recording remittances to and from the UK.

Estimated amounts of remittances sent from the UK in 2014 vary widely from £1.5 billion to £16.5 billion. However, all main data sources agree that the UK is one of the top-10 remittances sending countries in the world.

The UK accounts for 15% of remittances to Pakistan.

The cost of remitting from the UK varies per destination country and transfer method. The major money transfer operators (e.g. Western Union, MoneyGram) typically charge from 7 to 11% of the total amount remitted.

There is little information on the characteristics of remitters in the UK, including characteristics such as income levels and welfare programme participation. Some studies suggest that there are ethnic differences in remittance behaviour in the UK.

Understanding the evidence

Ever since the end of foreign exchange controls in the UK (i.e. 1979), there is no official mechanism for recording international monetary transactions including the volume, destination and use of remittances from the UK (UK Parliament 2011a). The UK Office for National Statistics (ONS) does not publish estimates of remittances to and from the UK. Therefore, the discussion below focuses on unstandardised estimates from the World Bank, Eurostat and remittance-recipient countries. Even within the same organization (e.g. World Bank) there are different estimates of remittances flows to and from the UK. There are advantages and disadvantages to each of the estimates presented.

Remittances flows are also difficult to capture in totality. Unofficial transfers (e.g. money sent with friends and family members visiting the UK) may account for a significant portion of remittances making it difficult to record these flows.

World Bank data suggest the UK is a receiver as well as a sender of remittances

There are several sources of remittances data. One commonly used source of information is the World Bank Annual Remittances Data. As shown in Table 1, these data suggest that remittance outflows from the UK reach GBP 1.5 billion in 2014. It is almost certain that these estimates of remittances are lower than the true amount of flows. Different methods of estimating remittances to the UK suggest higher amounts of money sent to other countries. For instance, Eurostat puts remittances outflows from the UK at GBP 5.3 billion. The 2016 World Bank Migration Remittances Factbook puts the amount at around GBP 7 billion, while data from the World Bank Bilateral Remittances Matrix suggests that remittances outflows to the UK are close to GBP 16.5 billion.

Table 1 – Different estimates of remittances from the UK

Source	Remittances (GBP billion, 2015 prices)
World Bank Annual Remittances Data	1.5
Eurostat	5.3
World Bank Migration Remittances Factbook	7.0
World Bank Bilateral Remittances Matrix	16.5

The different sources consistently point to the UK as one of the top-10 remittances sending countries in the world. The World Bank Migration Remittances Factbook suggests that it occupies the 10th position, while the World Bank Bilateral Remittances Matrix suggests it occupies the fourth place. The two sources coincide on the fact that the main destinations of remittances from the UK are Nigeria and India.

The World Bank Annual Remittances Data indicates that remittances to the UK in 2014 reached GBP 1.1 billion and accounted for 0.1% of UK GDP. As was the case with remittances outflows, it is likely that remittances inflows are also underestimated in different datasets. The World Bank Migration Remittances Factbook puts the amount at £3.04 billion.

The UK accounts for 15% of remittances to Pakistan

This section only focuses on the UK-Pakistan corridors due to the lack of similar data for other important corridors. The data in Table 2 suggests that the UK accounted for around 15% of annual remittances to Pakistan during the period July 2015 to January 2016.

Table 2 – Remittances from the UK to Pakistan (nominal, GBP million)

	July to January		
	2013-14	2014-15	2015-16
GBP million	1,310	1,391	1,425
Share of total remittances to Pakistan	15%	13%	13%

Source: Central Bank of Pakistan.

The cost of remitting from the UK varies per destination country and transfer method. The major money transfer operators in the UK typically charge from 7 to 11% of the total amount remitted

Migrants in the UK send money home using several channels. These include family and friends returning home, money transfers operators (MTOs) such as Western Union and MoneyGram, banks and informal hawala brokers (House of Commons 2004). The hawala method of transferring money is informal and it is very difficult to trace most of these flows using official government records.

It is very difficult to collect data on the cost of remitting on the informal remittance market. However, the World Bank database on the cost of sending money through formal channels suggests that remitting from the UK using Western Union and MoneyGram is more expensive for those sending money to Poland in comparison with other major migrant sending countries to the UK (see Table 3). Sending GBP 120 to Poland costs GBP 10.33 using Western Union, while the same amount sent to India only costs GBP 8.50 (estimates for November 2015). However, differences between the costs of remitting to the five destinations included in Table 3 are small.

Table 2 – Cost of sending GBP 120 from the UK through Western Union and MoneyGram in November 2015

		Total cost (GBP)	Percentage cost
Bangladesh	Western Union	7.76	6.47%
	MoneyGram	10.69	8.91%
Nigeria	Western Union	11.14	9.28%
	MoneyGram	9.17	7.64%
India	Western Union	8.5	7.08%
	MoneyGram	11.63	9.69%
Pakistan	Western Union	9.08	7.57%
	MoneyGram	12.2	10.17%
Poland	Western Union	10.33	8.61%
	MoneyGram	12.54	10.45%

Note: source is World Bank (2015c). Prices are for sending GBP120 in a cash to cash transaction of less than hour. The cost includes the fee and the exchange rate margin.

The remittances industry has also been the object of policy discussion in the UK. In 2005, the UK's Department for International Development (DFID) published a report on the UK remittances market, based on the results of the UK Remittance Products Survey (DFID 2005). The analysis suggest that UK banks mostly offer remittances services designed to meet the needs of their customers (those who hold accounts with them), while MTOs target those without bank accounts and those looking for low fees.

While the UK government recognizes the need for more efficient remittance services, it is also wary of the possible use of remittance channels for criminal activities. There is a supervisory regime for money service businesses (MSBs) in order to combat terrorist financing and money laundering, and the majority of MSBs in the UK are required to register with HM Revenue and Customs (HMRC). According to the UK Money Transmitters Association (UKMTA), there were more than 3,750 registered MSBs in the UK in mid-2009 (UKMTA 2009). HMRC provides guidance to MSBs on anti-money laundering procedures. There is a regime of civil penalties or prosecution for failure to comply with the regulations, but these are not often applied (UKMTA 2009).

Surveys on remittances from the UK suggest that remitted amounts vary substantially across migrant/ethnic group

In 2015 the World Bank commissioned a survey of 602 Bangladeshis, Ghanaians and Romanians remitters in London (World Bank, 2015d). Romanians sent the largest amounts of money back home among men in the survey (close to £3,500 per year in average). On the other hand, Bangladeshis sent the highest average amount of money back home among women (close to £2,500 per year).

Other surveys have included other migrant/ethnic groups and found other patterns regarding remittances from the UK. For instance, Clark and Drinkwater (2007), using the Fourth National Survey of Ethnic Minorities, find that those of Caribbean and Pakistani origin are more likely to remit (37% of Caribbeans and 30% of Pakistanis) than Chinese (27%), Bangladeshis (21%) and Indians (14%). DFID (2006) used a sample of almost 10,000 Black and minority ethnic households in the UK to explore their remitting patterns. Results suggested that Black Africans had the highest propensity to remit, accounting for 34% of remitters in the survey, while only representing 10.5% of the sample. Black Caribbeans represented 12% of those who remit, the same share as their representation in the sample (12.2%), while Indians accounted for 14% of remitters, a relatively low share given their sample representation (22.8%).

Even with these studies, there is very little information on the characteristics of remitters in the UK, including characteristics such as income levels and welfare programme participation. Moreover, the existing research focuses on certain ethnic groups at one period in time. As a result, there is a lack of information about the dynamics of remitting behaviour over time.

In recent years there has been a growing policy interest in remittances from the UK to Somalia

In 2013, amid growing concerns regarding the potential lack of compliance with international regulations, Barclays closed the bank accounts of Somali money transfer operators. This led to concerns about the flow of remittances from the UK to Somalia and the creation of the UK Action Group on Cross-Border Remittances in 2014 – a multi-agency effort to support the continuous flow of remittances to Somalia (UK Government, 2015a).

One concrete result of the Action Group work and related efforts is the “UK–Somalia Safer Corridor Initiative” which focuses on this specific corridor to strengthen existing remittances channels and to address the concerns of banks which have led to the closure of accounts of remittances companies or Money Service Businesses (MSBs). The initiative has three stages (UK Government, 2015b). The first stage was to provide banks and MSBs in the UK with comprehensive guidance to improve compliance with regulations and to appropriately manage risk. The second stage involves coordination with the financial sector in the United Arab Emirates (UAE), as financial transfers between the UK and Somalia usually travel through Dubai. The third stage involves supporting the Federal Government of Somalia and the Central Bank of Somalia with the drafting and issuance of new AML/CFT legislation, MSB operating regulations and customer registration rules.

Evidence gaps and limitations

In the UK Balance of Payments (i.e. Pink Book), there is a category call ‘other payments by households’, which includes workers’ remittances and transfers to UK non-profit institutions. However, it is not possible to disaggregate workers’ remittances from flows to non-profit institutions serving households (see UK Parliament [2011b] and Office for National Statistics [2010]).

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The Migration Observatory

Based at the Centre on Migration, Policy and Society (COMPAS) at the University of Oxford, the Migration Observatory provides independent, authoritative, evidence-based analysis of data on migration and migrants in the UK, to inform media, public and policy debates, and to generate high quality research on international migration and public policy issues. The Observatory's analysis involves experts from a wide range of disciplines and departments at the University of Oxford.



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