Migrant remittances in the times of Covid-19: Insights from Remittance Service Providers

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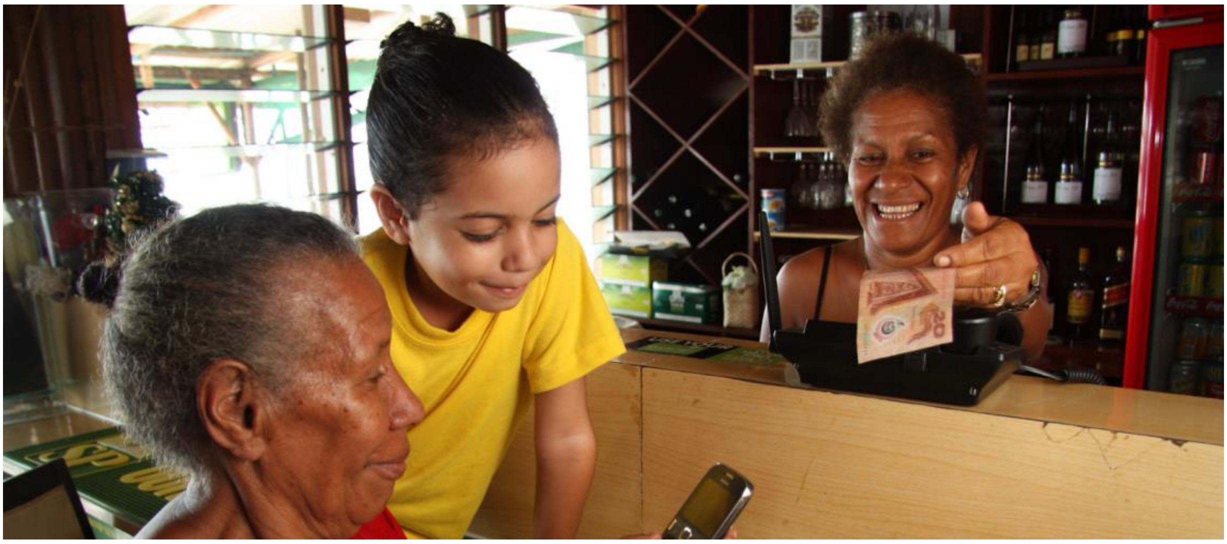

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Before the COVID-19 pandemic struck, many migrants were already part of marginalized and vulnerable groups experiencing economic hardships in their countries of origin and host communities.

Lockdowns and business closures have exacerbated the precarious nature of their livelihoods. Many migrants have lost their employment and income and there is very limited help from their host countries. With little or no funds left to remit home, the impact of the COVID-19 pandemic is proving particularly severe on migrants and their families.

The World Bank's latest Migration and Development Brief "COVID-19 Through a Migration Lens" predicts that remittance flows overall to low- and middle-income countries will slump by around 20 percent, falling from US$554 billion in 2019 to $445 billion this year – "the sharpest decline in recent history." The main factor behind this is the hardship effect of coronavirus on the wages and employment of migrants in host countries. The loss of remittance flows is expected to be sharpest in Europe and Central Asia, South Asia, and Sub-Saharan Africa, the analysis adds. And the effects on the receiving countries are expected to reach well into 2021 –the recovery will be "prolonged and arduous".

The economic contribution of migrants is huge, both abroad and back home, and the effects on remittance flows are felt widely. The damage to remittances done by COVID-19 will bring, in summary, dire consequences for vulnerable migrant workers abroad, for families, communities and their wider activities in the countries receiving payments, and for remittance economies more broadly.

Impact on migrants and their families – unable to send and receive remittances

The story of migrant worker Diana Leticia Hernández, who can no longer go door to door to sell items in Miami, is an illustration of the impact on migrants suddenly unable to send remittances home. "I'm in anguish," Diana told The Associated Press (AP). "They're counting on me. I'm trying to get anything I can send, $30, $50, whatever." The money Diana usually sends pays for subsistence and living costs, healthcare, and school bills.

The reporters, also telling the stories of people affected in Haiti and Somalia, explain in the AP article: "With coronavirus shutting down industries, many earners in Miami, Las Vegas, London, and other economic centres can no longer afford to send their monthly $50, $100 or $200 to Honduras, Somalia or India. The shock waves are pushing their relatives to desperation."

The impacts on migrants of severely disrupted remittance can also be illustrated at the population level – whole migrant economies are impacted. For every 10 people in the population of the Philippines, for example, one is a migrant working abroad – they account for 10 percent of the country's gross domestic product (GDP) in sending monies home, according to the country's central bank.

These remittances form an entire ecosystem for the country, as one report from Bloomberg puts it, and from "construction workers in Saudi Arabia to nannies in Italy and Singapore, their wages help feed, clothe, educate and put a roof over the heads of the grandparents and siblings who often raise their children. Yet in the example of Singapore, Filipino workers are not able to access the "plethora of remittance services" they usually access in the shopping centres, due to lockdowns.

Such a reliance on remittance agents and networks for sending and collecting money has been highlighted in a recent industry survey conducted between 31 March and 18 April 2020 by the International Association of Money Transfer Networks (IAMTN) in collaboration with United Nations Capital Development Fund (UNCDF). The responses of 77 senior executives from 30+ countries across the remittance industry show that the practical hurdles are clear and simple; the resulting hardships are stark.

- Learn more about the impact of COVID-19 on migrants and families as shared by remittance service providers

Impact on remittance service providers and their resilience and agility

Service providers are clearly affected by remittance flows being so suddenly and severely disrupted. A majority (69 percent) of remittance service providers have noted a sudden decrease in business volumes. Falling business volumes translate into financial losses for many providers. While remittance flows are drying up, operating expenses continue to run, including rental and building maintenance costs and employee salaries.

The challenge is further accentuated by limited agent networks and staffing and operational issues, amid the health risks. Almost half of the providers responded that that they will not be able to financially sustain the crisis if it were to prolong for more than six months. This may have long-term effects on market competition, thereby impacting the global efforts to reduce remittance transaction costs.

- Learn more about the challenges to business operations as highlighted by remittance service providers

When asked about new initiatives in response to COVID-19, scaling up digital channels was the clearest need highlighted by the remittance service providers. Nearly two-thirds

(64 percent) mentioned that digital channels could be a solution to easing remittance flows, and many have already started working on improving their digital offerings – for example by developing apps or exploring partnerships with digital solutions providers.

Great momentum and political goodwill for digitization is being brought forward by this crisis, but providers recognize that digital offerings need digital rails first. The entire remittance customer journey would ideally be digital, with migrants able to receive wages directly into a digital account, for remittance straight into the account of a family member. Yet employers would have to shift from cash-based to digital wage payments. And there is much work, too, to be done in support of the other use-cases that would encourage digitization – utility bills and merchant payments also need to be digital. Migrants and their families need to be convinced of the many benefits of these solutions over the cash-based channels.

The transition to a fully digital customer journey is complex, however, and needs more awareness to be raised and uptake to be improved, both of which policymakers can lead. The COVID-19 crisis could be a catalyst for the change needed, say the remittance providers surveyed.

- Learn more about the expectations by remittance service providers of policymakers and regulators

While some interventions would provide immediate relief during the coronavirus pandemic – including to recognize remittances as essential services – others need more time and investment to develop.

What is certain is that innovative ideas and approaches are desperately needed to keep the remittances lifeline flowing.

Dashboard for visual presentation of the survey findings can be viewed here.

UNCDF briefs on how COVID-19 is changing the landscape for migrants and remittances can be viewed here.

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