

Financial Resilience of Migrants

The Case for Digital Wages, Insurance and Pensions



**Leaving No One Behind
in the Digital Era** Our vision is to
promote digital economies that leave
no one behind. Our goal is to develop
inclusive digital economies that
foster private sector development
and support migrants and families
towards economic inclusion and
financial resilience.



MIGRANT WAGES

USD **5.5 trillion**
per year

MIGRANT INSURANCE

USD **7-67 billion**
per year in
premium income
potential

MIGRANT PENSIONS

USD **3–5 trillion**
potential asset
creation in
20 years

The inspiration Approximately 4 percent of the world population live and work outside their countries of origin. Nearly half of them are women. For individual migrants, moving abroad for work can mean income volatility, uncertainty, and insecurity, both back home and overseas. The financial products that could help reduce these vulnerabilities—liquid savings, lines of credit, insurance, pension, etc.—are seldom easily accessible outside one’s home country.

Although social security of the migrants has been highlighted directly in multiple Sustainable Development Goals (SDGs), and several international conventions, only 2.8 percent of the migrants currently have access to portable social security products and services.

Migrant remittances are pivotal for the financial inclusion and resilience of millions of households in the low and middle-income economies in reducing debt burden, risk mitigation, income-generating activities, re-employment and setting up businesses. Any unforeseen events affecting the migrant, such as death, sickness or job loss, negatively impact the financial stability of the family, leading to an excessive debt trap, inequality and poverty. The COVID-19 pandemic has further highlighted the plight of the migrants in the host countries in terms of accessing healthcare facilities and repatriation, in addition to the limited safety net of pension or old-age savings for the migrants returning to their home countries due to the pandemic related job loss.

Migrants originating from low-income or emerging economies are less likely to have access to portable insurance and pension services due to regulatory and policy barriers, territorial boundaries of such schemes, limited enforcement of multilateral or bi-lateral mechanisms and the absence of migrant-centric insurance and pension products delivered by the market. Due to inherent challenges and lack of alignment of value chain members, commercially scalable and viable migrant insurance and pension ecosystems have also not developed to unlock the potential of the sector.

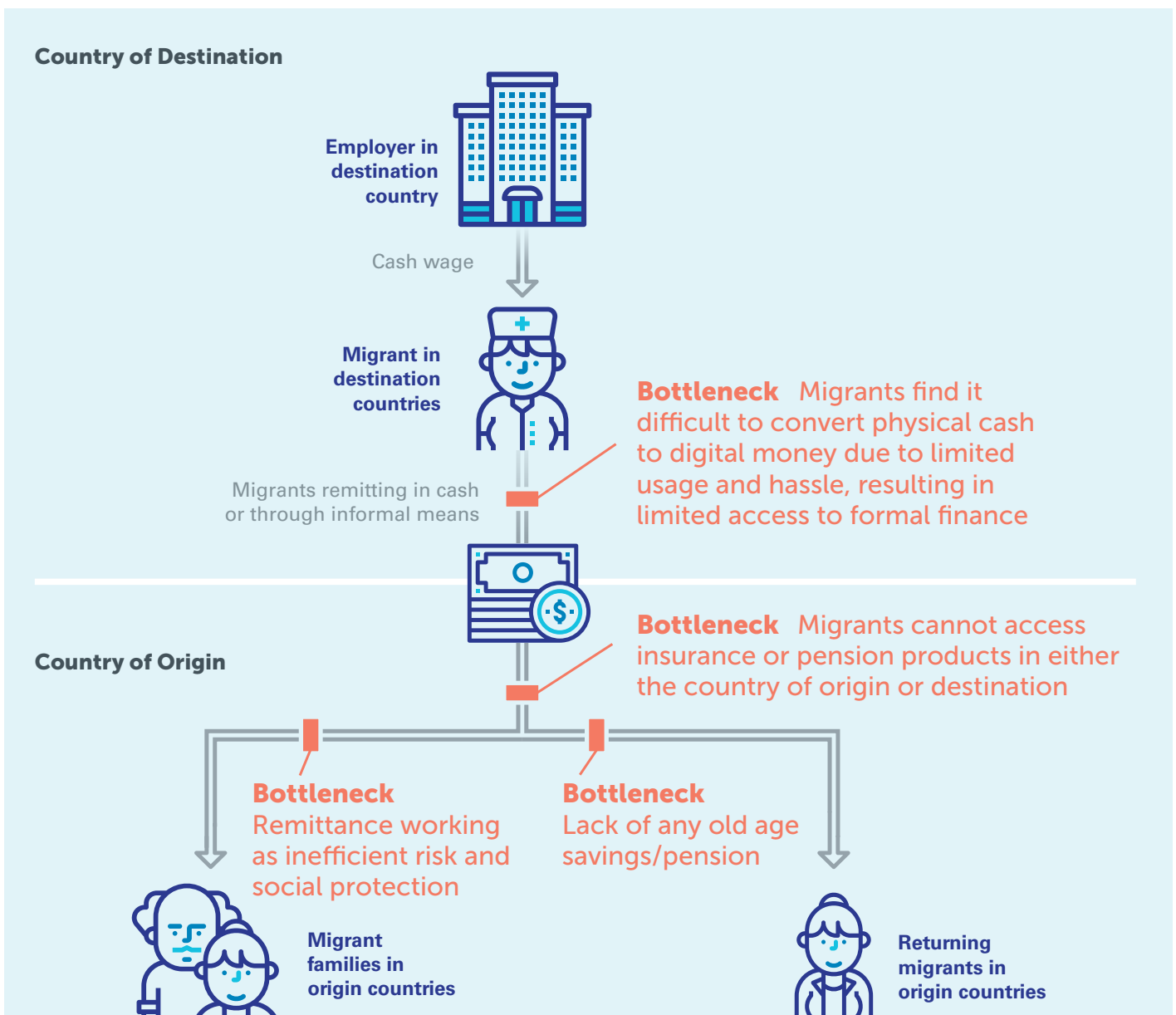
The journey to access such financial services for the migrants, however, begins way before remittance takes place. The bottleneck of financial resilience for the migrants may directly be linked to the cash based ecosystem they operate within. When migrant money ecosystems are digitized end-to-end, they can easily be linked to other financial services (including insurance and pension). Digitization of migrant wages, therefore, is a necessary gateway to fuller financial inclusion that may help the migrants and their families—especially women—to build the futures they want.

SDGs linked to social security for migrants

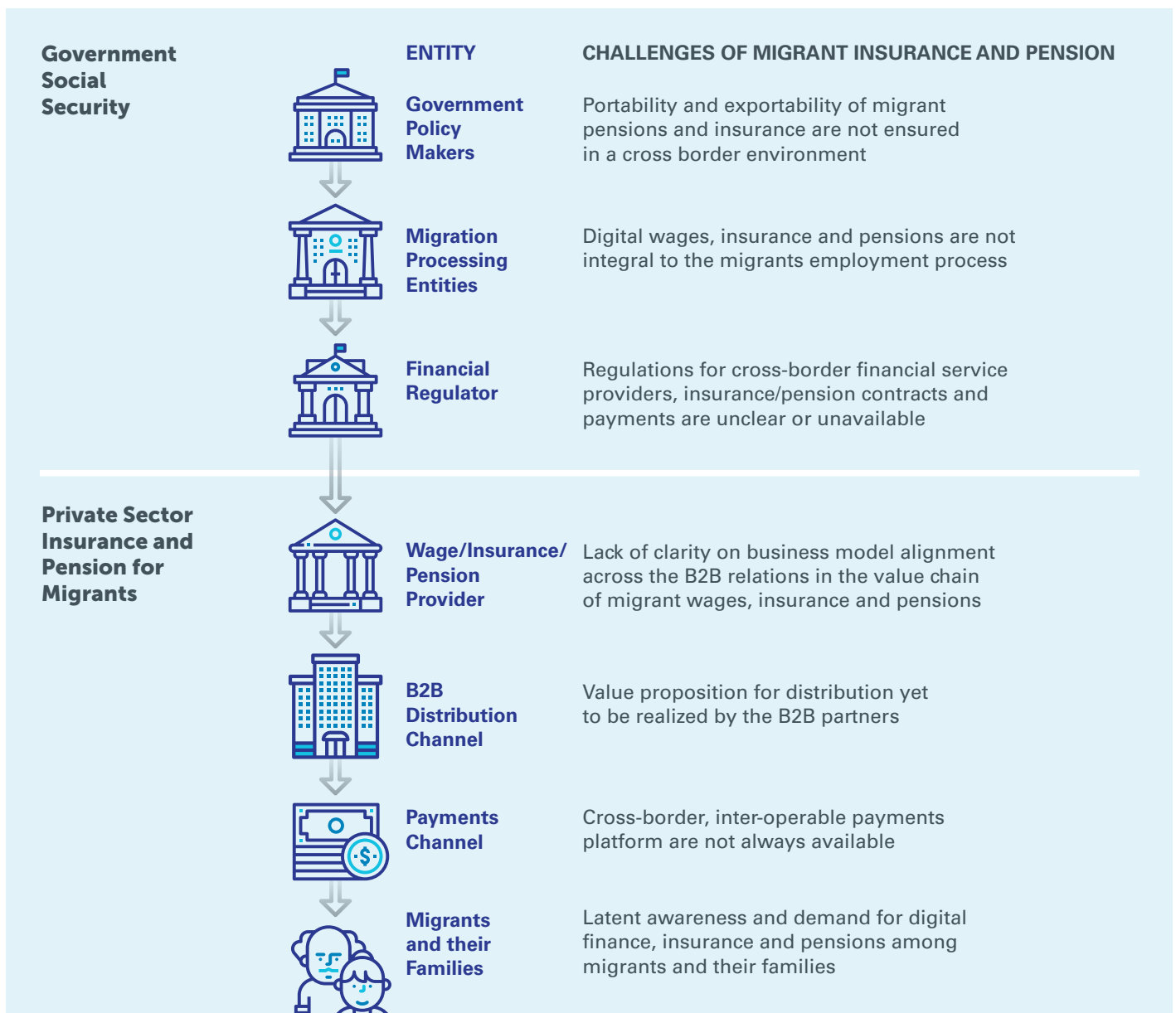


Unless migrant workers receive their wages and income streams digitally, their access to affordable formal finance remains limited.

A **cash-based migrant money ecosystem** effectively reduces the possibility of inclusion into formal finance including digital remittance, insurance, and pension, that can contribute to their social protection and financial resilience.



There are multiple barriers across the remittance, insurance, and pension value chain, from both the public and private sectors, in unlocking the potential of the migrant financial resilience and social security.



A market-based, value-aligned ecosystem

UNCDF aims to contribute towards financial resilience of migrants and their families by facilitating design and development of migrant-centric, gender responsive, scalable, and commercially viable digital wage, insurance and pension products and services, delivered through alignment of the migrant money ecosystem.

Towards this objective, UNCDF will leverage the digital financial service providers, insurance conglomerates, reinsurers, payroll service providers, pension fund managers and the ecosystem stakeholders, to integrate digital wages, insurance and pensions into the existing migrant money ecosystem.



UNCDF will continue engaging in the domain of migrant financial resilience to help the ecosystem realise its optimum potential.

Phases of engagement

PHASE ONE

Inception

- » Global and country research
- » Regulatory and policy mapping
- » KII across global stakeholders
- » Identify implementation and network stakeholders
- » Capacity building of domain stakeholders
- » Demonstration effect, learning and dissemination

PHASE TWO

Future Scoping

- » Country specific plans
- » Data infrastructure and partnership network
- » Business innovation across multiple corridors
- » Crowd-in investment support for the private sector
- » Skill building and capacity building pathway
- » Consumer protection principles for migrant insurance and pension



PHASE THREE

Implementing

- » Integrate migrant digital wages, insurance and pensions with open digital payment ecosystem
- » Long term impact pathway for portability of migrant pensions and insurance
- » Support emerging business and distribution models in migrant digital wages, migrant insurance and pension
- » Advance capacity building of regulators, policymakers and private sector on migrant-centric, gender responsive portable, scalable migrant wages, insurance and pensions
- » Consumer protection practices and regulatory support

PHASE FOUR

Scaling

- » Incentive aligned business ecosystem of migrant digital wages, insurance and pensions across key remittance corridors
- » Dissemination of learning for rapid scale up
- » Positive policy development towards portable migrant pensions and insurance

UNCDF will facilitate inclusive innovation across the digital wage, insurance and pension value chain through an ecosystem building approach.



Customer outcome

Migrants and their families have access to migrant-centric, gender-responsive social protection and digital financial services (insurance, pension and digital wage services) that can improve their skills, enhance their voice and offer choice in reducing their financial vulnerabilities and improving their financial resilience.



Stakeholder outcome

Remittance, insurance, pension and digital financial service providers, both public and private, design, deploy and scale innovative, scalable migrant-centric, gender-responsive social protection (insurance, pension and wage digitization) products and services.



Sector outcome

Implementation of nationally and regionally appropriate social protection systems for migrants and their families, through private and public sector initiatives, contributing to decent work for all women and men migrant workers, universal health coverage and access to quality essential healthcare services.

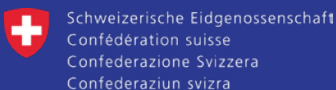




Leaving No One Behind in The Digital Era The UNCDF strategy ‘Leaving no one behind in the digital era’ is based on over a decade of experience in digital finance in Africa, Asia and the Pacific. UNCDF recognizes that reaching the full potential of digital financial inclusion in support of the Sustainable Development Goals aligns with the vision of promoting digital economies that leave no one behind. The vision of UNCDF is to empower millions of people by 2024 to use services daily that leverage innovation and technology and contribute to the Sustainable Development Goals. UNCDF will apply a market development approach and continuously seek to address underlying market dysfunctions.



UNCDF makes public and private finance work for the poor in the world’s 47 least developed countries. With its capital mandate and instruments, UNCDF offers ‘last mile’ finance models that unlock public and private resources, especially at the domestic level, to reduce poverty and support local economic development. UNCDF’s financing models work through two channels: financial inclusion that expands the opportunities for individuals, households and small businesses to participate in the local economy, providing them with the tools they need to climb out of poverty and manage their financial lives; and localized investments—fiscal decentralization, innovative municipal finance and structured project finance—that drive the public and private funding that underpins local economic expansion and sustainable development. By strengthening how finance works for poor people at the household, small enterprise and local infrastructure levels, UNCDF contributes to Sustainable Development Goal (SDG) 1 on the eradication of poverty and SDG 17 on the means of implementation. By identifying those market segments in which innovative finance models can have a transformational impact in reaching the last mile while addressing exclusion and access inequalities, UNCDF contributes to a number of different SDGs.



Swiss Agency for Development
and Cooperation SDC

The Swiss Agency for Development and Cooperation (SDC) is the agency for international cooperation of the Federal Department of Foreign Affairs (FDFA). SDC implements Switzerland’s foreign policy on humanitarian aid, development cooperation and cooperation with Eastern Europe. Swiss international cooperation, which is an integral part of the Federal Council’s foreign policy, aims to contribute to a world without poverty and in peace, for sustainable development. The SDC’s activities are designed to reduce poverty and hardship, curb global risks, and promote development that preserves natural resources for future generations. The SDC supports countries in their efforts to overcome poverty- and development-related problems, thereby enabling disadvantaged population groups to have better access to basic education and healthcare. The SDC helps find solutions for environmental problems and creates better prospects for young people and women, both through vocational skills development and income generation. The SDC places special emphasis on the management of global risks and challenges, and thereby supports poorer countries in embracing development opportunities and in adapting to global changes. With its global programmes in the areas of climate change, food security, migration and water, the SDC is tackling these global challenges in tandem with its efforts to reduce poverty. SDC’s Global Programme on Migration and Forced Displacement (GPMFD) contributes to unlocking the development potential of human mobility, while minimising the global challenges linked to migration and forced displacement.