MIGRATION-RELATED SOCIOECONOMIC IMPACTS OF COVID-19 ON DEVELOPING COUNTRIES

BACKGROUND

While the world has focused primarily on the impacts of the COVID-19 Crisis on developed countries in Europe, North America, and East Asia, developing countries will not be immune to the economic fallout from the crisis or its social implications. The vast majority of these countries are deeply integrated into global goods and labour supply chains and will feel the effects of declining demand in the short term; current travel restrictions will have a severe impact on communities reliant on tourism; and many developing countries rely heavily on labour migration – both to developing countries as well as to developed countries – as a way of easing domestic labour market pressures and as a financial resource, with migrants sending home billions of US dollars to family members in the form of remittances, as well as returning with savings which serve to stimulate local economic activity. Restrictions on internal migration further exacerbate the situation as seasonal and trade-related mobility is disrupted, impacting the livelihoods of migrants and their families.

Remittances have been credited in helping to lift hundreds of millions of people out of poverty in the past decade, empowering women with a greater role in financial decision-making, and improving health and education among some of the poorer and most vulnerable segments of societies. Lower- and middle-income countries received over USD 550 billion in international remittances in 2019.[1]

With migrant workers highly concentrated in occupations and sectors expected to be particularly hard hit by the economic consequences of the COVID-19 Crisis, inevitably, remittances will also take a hit. Globally, the World Bank projects a decline of 20% in remittances sent to lower and middle income countries in 2020, representing USD 109 billion.[2] However severe this global figure may seem, it masks the real vulnerabilities of specific countries and communities that are particularly dependent on remittances. Remittances represent over 10% of GDP for 30 countries in the world, and over 5% of GDP for an additional 27 countries.[3] Smaller countries with high levels of emigration are particularly vulnerable, with remittances accounting for, for example, 30% and 20% of GDP in Nepal and El Salvador respectively. Migration channels are often highly localized with families and specific communities within countries of origin dependent on labour migration and remittances for their development and their survival. Even short-term disruptions to remittance flows can have negative consequences that take years to rectify if not addressed.

Countries and communities reliant on labour migration and remittances will in fact see a double impact from this crisis as, in addition to declining remittances, these communities will need to absorb an increasing number of returning labour migrants, unable to find work in countries of destination. Already there is an increasing trend of migrant workers returning on a large scale from, for example, Thailand

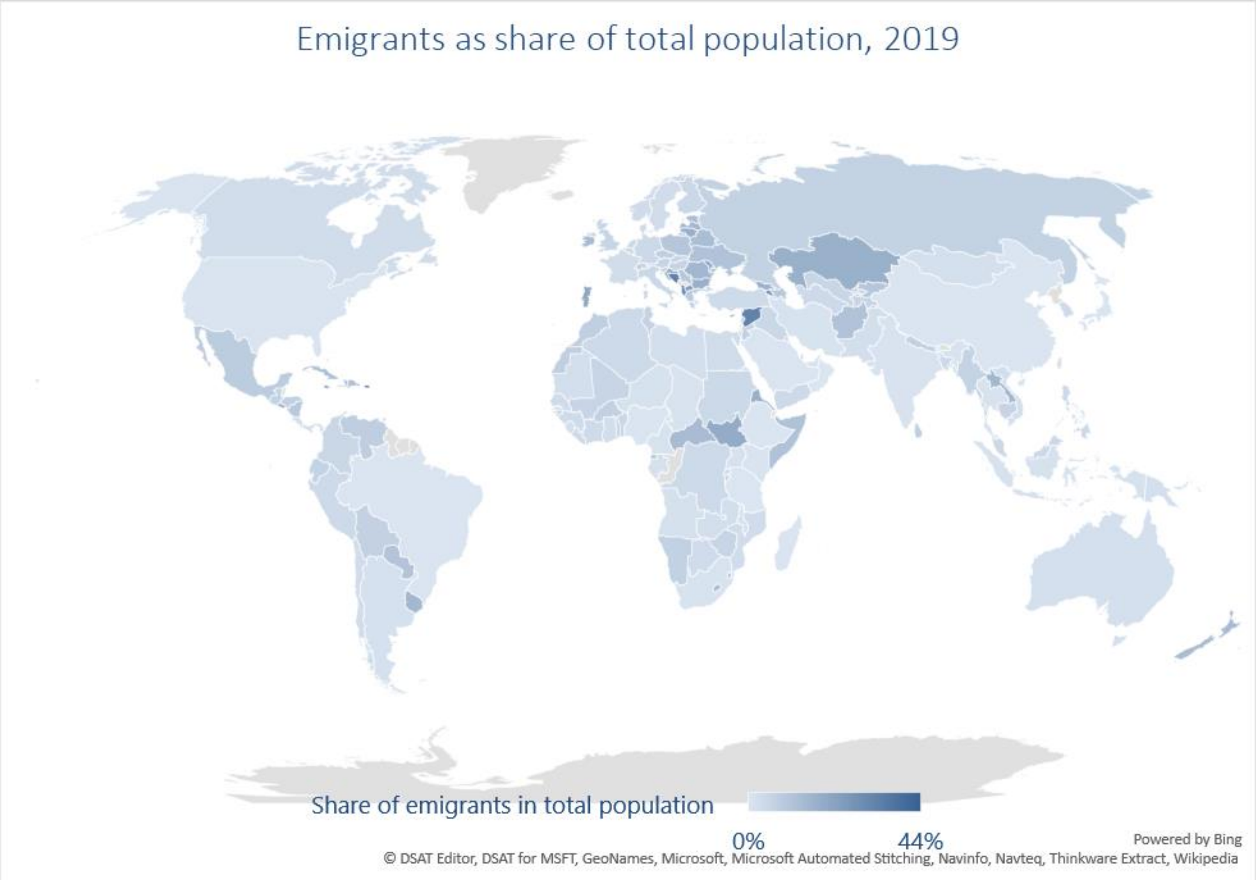
[1] blogs.worldbank.org/peoplemove/data-release-remittances-low-and-middle-income-countries-track-reach-551-billion-2019

[2] www.knomad.org/sites/default/files/2020-04/Migration%20and%20Development%20Brief%2032_0.pdf

[3] Calculated based on World Bank's remittance estimates for 2019 available at www.knomad.org/data/remittances

to neighbouring countries,[4] Poland to Ukraine,[5] Western Europe to Eastern EU countries, and internally from major cities to rural parts of India. One can anticipate that return migration will continue in the foreseeable future.

If previous recessions may serve as an indication, we can expect declining remittances and increasing rates of returning migrants to place heavy economic and labour market burdens on developing countries. The 2009 Global Financial Crisis resulted in the first-ever significant year-on-year decline in remittances at the global level. Likewise, the Russian Financial Crisis of 2014 - 15 wreaked havoc on Central Asian countries that depend on the Russian labour market for employment and remittances. From 2013 to 2016, annual remittances to Central Asia declined by 46% as hundreds of thousands of workers returned to their countries of origin, contributing to a substantial decline in GDP growth throughout Central Asia over this period.[6]



"Charts contracted on the basis of UNDESA migrant and total population data for 2019 as extracted from HERE".

[4] www.iom.int/news/migrant-workers-stream-home-thailands-economy-goes-covid-19-lockdown

[5] www.iom.int/news/covid-19-forces-huge-numbers-ukrainians-home-face-fraught-future

[6] publications.iom.int/system/files/pdf/wmr_2018_en.pdf

IMPACT

For migrants and their families

Remittances are used for a variety of purposes. On average, it is estimated that 75% of remittances go towards essential needs such as day-to-day expenses, health care and education, with the remainder contributing to a variety of longer-term objectives such as business start-up, real estate purchases or renovations, responding to unexpected needs, or servicing debts.[7] In many cases, migrants have relied on formal or informal loans to cover the costs of their recruitment and travel. Recruitment costs vary significantly depending on the migration corridor, but migrant workers will typically pay anywhere between USD 400 and USD 3,000 for their recruitment[8] and many will go into some form of debt or deplete family savings to cover these costs.[9] If employment is cut short, migrants and their families will find themselves in difficult situations with no way of paying back existing debts.

Declining remittances will result in many households falling back under the poverty line as well as cutting back on expenses, including health care and education, with female-headed households particularly at risk. Decisions to pull children out of school – and, in the worst cases, engage children in labour – or to postpone or reduce medical treatment are not easily reversed and will have long-term negative consequences for families dependent on remittances.

Migrants returning to limited opportunity run the risk of facing long term unemployment, resulting in a depletion of any savings achieved while abroad and weak social reintegration in their communities. Challenges to social reintegration will be further exacerbated by negative stereotypes and stigmatization about returnees, with returnees being blamed for "bringing back" COVID-19 into the country and causing further economic problems.

For communities of origin

At the community level, declining remittances will have a knock-on effect within local economies. As we have seen in previous recessions, families receiving fewer or no remittances and even those receiving remittances regularly but who are concerned about future remittances, will cut back on their spending both of big ticket items as well as day-to-day spending, and this declining consumption will impact local economic activity. In some cases, this may have positive effects for local producers as consumers switch their purchasing habits from expensive imports to lower-cost local brands. However, broadly, declining remittances place additional downward pressure on local economic activity across communities of origin. While this may be seen as a drop in the ocean in large cities and economies, in communities where remittances represent a large portion of income, the effects are considerable. The anticipated 28% decline in remittances to Kyrgyzstan this year,[10] for example, will translate into a loss of approximately USD 674 million in local economies (approximately 8% of GDP).

As we have already begun to see, disruptions to labour markets in countries of destination will result in a vast number of migrant workers returning to communities of origin. At the same time, youth completing school and about to enter the labour market, many of whom will have planned to find work abroad, will now be confined to seek employment within the local labour market. The result is a surge in labour supply in economies that already struggle with un- and under-employment, putting further pressure on remittance-dependent economies.

[7] www.un.org/development/desa/en/news/population/remittances-matter.html

[8] www.knomad.org/sites/default/files/2017-12/Migration%20and%20Development%20Report%2012-14-17%20web.pdf

[9] publications.iom.int/system/files/pdf/debt_and_the_migration_experience_insights_from_southeast_asia_2.pdf

[10] www.knomad.org/sites/default/files/2020-04/Migration%20and%20Development%20Brief%2032_0.pdf

Declining economic activity combined with increased labour supply will exacerbate unemployment, place growing pressure on social services, and may lead to deteriorating wages and employment conditions in communities of origin.

RECOMMENDATIONS

In responding to the COVID-19 Crisis, governments and communities highly reliant on labour migration and remittances can implement policies and programmes that can significantly mitigate the negative socioeconomic impacts of the crisis by promoting economic stimulus, supporting social cohesion, and addressing rising unemployment.

Stimulating economic activity:

- Time-bound programmes designed to stimulate and incentivize the sending of remittances can serve to stabilize – or limit the decline – of remittances in the short term. Such programmes can take on various forms depending on the context, including making it easier to send remittances, reducing or eliminating the cost of sending remittances (through subsidies, for example), financial literacy/motivation programming, or incentivizing the use of remittances in certain ways through matching-grant programmes at the individual or community level.

- Likewise, time-bound programmes to support inclusion of returnees or remittance-recipients in existing financial programmes, as well as development of dedicated migration-specific instruments can support economic stabilization. This will contribute to utilization of savings for productive ends, responding to the needs of returnees as well as serving to stimulate local economic and labour market activity. Such incentives are particularly important in the current crisis as returnees are likely to not have completely met their savings objectives (due to unexpected unemployment) – access to credit and grant programmes can help to bridge this financial gap and allow returnees to develop their longer-term livelihood plans. Such programmes should be geared towards investments in longer term objectives of migrants and remittance-recipients such as education/training, business start-up or home renovation and expansion projects that promote green/energy-efficient technologies.

Supporting social cohesion:

Information campaigns and community programmes aimed at addressing stigma and negative stereotypes about returnees and promoting social interaction between returnees and the broader community are needed to promote social cohesion and facilitate the social and economic reintegration of returnees into the community. Media and communications campaigns that integrate behavioural insights and community programmes supporting inter-group activities can serve to address stigmatization and promote social reintegration of returning migrants.

Short-term socioeconomic support programmes must be implemented to provide support to remittance-dependent families faced with a sudden lack of income including, particularly, female-headed households, with the aim of meeting basic needs as well as maintaining children's access to education and health services.

Addressing unemployment:

- A majority of developing countries – and particularly countries dependent on international labour migration – suffer from poor labour market information systems, with employment opportunities largely reliant on local social networks, particularly for lower and semi-skilled occupations. Employment/Job Matching services need to be built up and expanded in communities of origin, linking returnees and others with opportunities not only within the local community but also in cities throughout the country.

- Governments in countries of destination should avoid reactionary measures that shut their labour markets to foreign workers. As we have seen through previous recessions, significant labour shortages in both high and lower skilled occupations can co-exist with high rates of unemployment at the national level. Governments should maintain existing labour migration programmes with the expectation that employers will adjust their hiring practices and use programmes when the local labour market is not responding to demand. At the same time, governments should increase the flexibility of work permit conditions of migrant workers already in the country to allow those who have been laid off through no fault of their own, to seek employment in sectors and occupations that are seeing rising demand in the current context. Several EU Member States have already begun to investigate this option as an effective response to rapidly changing labour markets.

- In sectors and occupations where labour mobility primarily takes place informally, given border closures and the now-salient public health dynamics of mobility, governments will need to consider programmes that quickly regularize and manage seasonal migration while also being mindful of the broader need for reforms within the labour markets and employment conditions of these sectors.

Watch the related video HERE.

Listen the related audio HERE.

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