Unlocking Public and Private Finance for the Poor

THE IMPACT OF COVID-19 ON MIGRANTS AND THEIR FAMILIES

BRIEFING SUMMARY
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The financial and health vulnerabilities of migrants and their families have been exacerbated by the COVID-19 crisis. The economic and health impacts of COVID-19 are unprecedented. Migrant workers and their families have not been spared from the dire consequences of rising infection rates, lockdowns, and economic downturn. Before the pandemic struck, many migrants were already part of marginalized and vulnerable groups experiencing economic difficulties in their countries of origin and host countries. Recent shutdowns and business closures have further exacerbated these hardships.

Limited earnings by migrants have reduced remittance flows, as workers in host countries struggle to cover their own living expenses. Amid the COVID-19 pandemic, many migrants have experienced a sudden loss of employment and income. Often, migrants do not receive employer insurance coverage, and are ineligible for national health insurance schemes, adding to their economic and health vulnerabilities. Migrants are also mostly excluded from social welfare and emergency relief programmes implemented by governments in their host countries. With limited safety nets in place, this has left many simply unable to remit any money home, as workers struggle to cover even their own costs of living.

Limited availability and access to remittance services further hinder the remittance flow. Even if migrant workers have funds to remit home, access to remittance services has been disrupted by lockdowns and movement restrictions. Not considered essential businesses, many agent locations in both sending and receiving countries have been forced to close or to operate under reduced working hours. Health concerns over limited social distancing at agents, and the handling of physical cash notes have further hampered in-person visits.

Digital remittance channels could present a welcome alternative, but access and adoption issues must be addressed first. Digital payment solutions could circumvent some of the aforementioned mobility and access challenges to brick-and-mortar branches of remittance service providers. However, digital channels have their own challenges, especially when considering the target group of migrant workers and their families. To send and receive payments through digital means such as mobile money or bank transfers, customers at both ends must first sign up for financial accounts. Many migrant workers are financially excluded, and do not have the documents required to open such accounts. As electronic 'know your customer' (e-KYC) is not yet available in many markets, opening an account requires in-person visits to a physical agent location. The lack of digital financial literacy coupled with a natural preference of senders and receivers for cash could further hinder digital uptake efforts.

Limited use-cases and infrastructural challenges should be addressed to strengthen the value proposition of digital remittances for migrants. In addition to registration problems, the lack of use-cases for digital payments presents an additional drawback for migrants. Today, most salary payments to migrant workers are handled in cash. In moving from cash to digital remittance channels, migrants would first need to visit a physical outlet such as an ATM, bank branch or agent to deposit their funds and convert them into digital currency before these could be remitted to their destination. In some cases, migrants receive their wages on a prepaid card, which would need to be manually linked to a mobile wallet – a workaround many may find too cumbersome. At the receiving end, migrant families would need to visit an agent to withdraw the funds, as digital merchant payments and electronic bill payments are not always available. This workaround itself would be impacted by transportation and social distancing constraints, and thus would not fully solve the access challenge. Moreover, even if the demand for digital channels was high, end-to-end digital solutions across corridors are scarce, suggesting the need to address existing supply-side limitations at the earliest opportunity.

With no end in sight to the COVID-19 crisis, declining remittance inflows have detrimental consequences for poor households in receiving countries and the local economies surrounding them. Remittances present a lifeline to poor households across the globe. For migrant families in receiving countries, remittances cover daily consumption needs, school fees, medical care, and are also crucial savings and investment instruments for returning migrant workers. Without these essential remittance inflows, households already struggling to make ends meet may be pushed even further into poverty. The damaging impact goes beyond individual households: with remittances accounting for a large part of the gross domestic product (GDP) in many low- and middle-income countries, the slump in remittance inflows will decrease productive investments and consumption spending, and could bring entire local economies to a standstill. Given this dire outlook, the call to action in support of migrants and their families becomes ever more pressing.

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