

COVID-19 IMPACT ON MIGRANT ECONOMIC CONTRIBUTIONS¹

INTRODUCTION

The socioeconomic impacts of COVID-19 in the context of migration have drawn a lot of attention since the start of the pandemic. This has included falling remittances, rising inequalities, broken livelihoods, and interrupted labour migration pathways. This brief complements such discussions by presenting the variety of forms in which migrants and diaspora contribute economically to communities in countries of origin and destination, focussing on remittances, labour force participation, entrepreneurship, and trade.

Migrants and diaspora's other economic contributions also include skills and technology transfers, investment in enterprises, portfolio, and real estate markets.² Indeed, the socioeconomic impact of the COVID-19 crisis has disrupted the pre-pandemic transnational ties and connections such as remittances but may have significantly undermined migrant's capabilities to contribute to economic development and, hence, support the COVID-19 recovery effort. Policy recommendations are proposed to help mitigate the adverse effects of the COVID-19 pandemic on migrants' economic contributions to countries of origin and destination, within the larger context of global efforts to curtail the spread of the virus and move towards economic recovery.

THE BROAD CONTEXT

The COVID-19 pandemic affected both origin and destination countries across all levels of income and sectors of the economy.³ Spikes in the number of COVID-19 cases, especially in countries of destination, impacted migrants and their capacity to earn a stable income for both themselves and their families and communities at home.

The impact of the COVID-19 pandemic on migrants and their sustained ability to function as economic actors are linked to both the health and economic dimensions of the crisis. Migrants' economic contributions will be significantly affected by the shape and duration of the current global recession.

¹ For the purposes of this piece the term migrant refers to all categories of persons who live outside their usual country of residence, which includes labour migrants, students, entrepreneurs, family members and long-term residents – often referred to as diaspora populations. While this piece is focused on the economic contributions made by migrants and diaspora, it is important to recognize that these economic contributions are part of broader contributions that migrants make to their households, communities, and countries, including through transfer of skills, knowledge, cultural ties, and which are better enabled if migrants' social protection and rights are safeguarded. The policy brief corresponds to the Global Compact for Migration's Objective 19: Create conditions for migrants and diaspora to fully contribute to sustainable development in all countries and is a more extensive and updated version of IOM blog piece "[Remittances and Beyond: COVID-19 impacts all forms of Migration and Development](#)", by Deepali Fernandes, Senior Migration and Economic Development Specialist, released on International Family Day of Remittances, 16th June 2020.

² [World Migration Report 2020](#), Chapter 5, "Reflections on Migrants' Contributions in an Era of Increasing Disruption and Disinformation".

³ The COVID-19 pandemic has simultaneously impacted approximately 75 per cent of the world's migrants working in countries where three-quarters of COVID-19 cases have been reported. See Swiss-United Kingdom [Call to Action "Keep Remittances Flowing"](#).

The International Monetary Fund (IMF) estimates that the global economy contracted by –3.3 per cent in 2020 and is projected to grow at 6 per cent in 2021.⁴

In the first months of the pandemic, the economic contributions of migrants was reduced owing to the sudden disruption to economic activity, lockdown measures and high unemployment.⁵ These economic shocks continue to disproportionately impact migrants, many of whom work in precarious and informal sectors with limited access to social protection and employment security. An added dynamic was the impact on internal migrants, as for instance in China and India, with many migrants returning home without food, income, or jobs.

These impacts threatened to roll back progress on sustainable development goals relating to income inequality, nutrition, housing, education, health, and poverty. The World Bank for instance estimates that COVID-19 induced “new poor” in 2020 will have risen to between 119 and 124 million.⁶ As a result, while overall mobility is expected to have declined in 2020 due to the pandemic, eventually there is the possibility of increased economic driven mobility depending on the extent of COVID-19 driven economic damage as well as economic recovery.

SPECIFIC IMPACTS

Remittances Impacts

Remittances are the most visible form of migrants’ economic contributions to their home contributing to the achievement of important development objectives such as poverty reduction, education, health and support with livelihood creation. It is estimated that 75 per cent of remittances are used to cover essentials, such as food, school fees, medical expenses, and housing,⁷ at an economy-wide level, remittances form a substantial part of several countries’ GDP⁸ and help shore up foreign reserves.

Remittance flows in 2020 showed variations linked to geography, migration corridors, exchange rate fluctuations and wider economic or cultural factors. At the beginning of 2020, remittances exhibited a declining trend owing to lockdown and social distancing measures as well as unemployment as economies slowed down.⁹ At the same time, within certain corridors and at certain points in time, remittance flows increased. For instance, remittances to Colombia, El Salvador and the Dominican Republic registered positive year-on-year growth (June to September 2020) after falling sharply in April and May 2020.

Interestingly, by the end of 2020, despite the global slowdowns, remittance flows as in the past proved to be resilient in times of crisis, registering a smaller decline than previously projected, lower than declines of the 2009 global financial crisis. In fact, officially recorded remittance flows to low- and middle-income countries in 2020 were only 1.6 percent below 2019 levels and exceeded foreign direct investment and Official Development Assistance for the same period.¹⁰

⁴ IMF World Economic Outlook, *Managing Diverging Recoveries*, April 2021.

⁵ Specifically impacted were migrant’s capacity to send remittances home.

⁶ Lakner C, Yonzan N, Mahler D, Aguilar R, Wu H, Updated estimates of the impact of COVID-19 on global poverty: *Looking back at 2020 and the Outlook for 2021*, World Bank Blog, January 11, 2021.

⁷ UN News, *8 Facts you don’t know about the money migrants send back home*, Last accessed June 3, 2021

⁸ It is estimated that for around 65 countries remittances account for 3% of GDP. See IOM Issue Brief “Migration-related Socioeconomic impacts of COVID-19 on developing countries”, 12 May, 2020 and IFAD “*Sending Money Home, Contributing to the SDGs one family at a time*”, June 2017.

⁹ World Bank, *Migration and Development Brief 33*, October 2020.

¹⁰ World Bank, *Defying Predictions Remittance Flows Remain Strong During COVID-19 Crisis*, *Migration and Development Brief 34*, 12 May, 2021.

Lockdown and social distancing measures in 2020, resulted in two key impacts on remittances:

1. restrictions on in-person and retail operations of money transfer operators, who account for 60 per cent of remittance transfers,
2. an increasing trend towards the digitalization of remittance transfers and a greater degree of formalization of remittance flows. Additionally, foreign exchange rate fluctuations have in some cases translated into a higher value for remittances. For example, a decrease in the value of the Mexican peso compared to the US (United States) dollar is believed to have created a relative increase in the value of remittances for recipients.¹¹

While the international community is aware of the importance of remittance flows, recovery will depend on broader economic factors and their impact on migrant labour. This includes how quickly migrants can return to their previous employment, and on what terms.

Labour force Impacts

A large share of an estimated 164 million migrant workers participating in international labour markets have been impacted by COVID-19 restriction measures, which has resulted in stagnant or declining labour market participation of migrants. The proportion of workers living in countries with recommended or mandatory workplace closures stood at 68 per cent in April 2020.¹²

Migrant workers tend to be more exposed to the loss of employment and wages during an economic crisis compared to nationals. For instance, during the 2008 global financial crisis, the increase in unemployment of foreign-born workers in the EU—28 countries was higher than that of native-born workers.¹³

The strict measures during and after lockdown have significantly affected sectors with a high reliance on low wage, lower skilled migrant labour albeit in a varying manner depending on points of lockdown and recovery. For instance:

- **In the transport sector**, by the end of March 2021, governments and authorities in subnational regions had issued or extended 43,300 travel measures, and every country, territory and area worldwide was subject to at least 70 travel bans.¹⁴
- **In the tourism sector**, there was a [72 per cent decline in international arrivals during the first ten months of 2020](#), with a loss of some USD 1.1 trillion in international tourism receipts.¹⁵
- **In the agriculture sector**, movement restrictions precipitated a shortfall of about one million seasonal agricultural workers in the European Union alone,¹⁶ causing disruptions in harvesting, losses in processing and distribution, and impacting agri-food systems and continuity of food supply.¹⁷
- **The construction sector**, which relies intensively on migrant workers, was negatively impacted by the crisis, particularly in the Middle East.

¹¹ Oxford Business Group, [How is COVID-19 affecting remittance flows in emerging markets](#). 30 April 2020.

¹² ILO Monitor, [COVID-19 and the World of Work](#), Third edition, 29 April 2020.

¹³ OECD International Migration Outlook, 2017, highlights between 2007 and 2009, the unemployment rate for foreign born workers in Europe rose by 40 per cent, compared to an increase of 20 per cent for native workers. Thereafter, the unemployment rates of native-born populations rose sharply up to 2013, while the deterioration in the unemployment rate of migrant populations was more tempered.

¹⁴ Migration Policy Institute and IOM, [COVID-19 and the State of Global Mobility, 2021](#).

¹⁵ UN World Travel Organization, [Tourism Back to 1990 Levels as Arrivals Fall by More than 70%](#). 17 December 2020.

¹⁶ UN Food and Agriculture Organization, [Migrant workers and the COVID-19 Pandemic](#). 7 April 2020.

¹⁷ IOM Issues Brief, [COVID-19 Policies and Impacts on Seasonal Agriculture Workers](#), 27 May 2020.

By contrast, the situation in the [health-care sector](#), which also relies intensively on migrant workers, has shown the public health dependence on contributions made by migrant health-care workers, including doctors and nurses. The Organisation for Economic Co-operation and Development (OECD) estimates that nearly 20 per cent of healthcare workers, in OECD countries, have a migrant background.¹⁸

The sectoral impacts of the COVID-19 pandemic differ among high- and low-skilled migrants, with low-skilled migrant workers, often employed in the informal economy, being more vulnerable in terms of precarious employment, savings, and social security coverage.¹⁹ The vulnerability of lower-skilled and informal workers during the COVID-19 crisis was also seen during the 2008-2009 financial crisis recession in the United States real estate and construction sectors. The construction sector employed a quarter of the Mexican migrant population in the US, over half of which were estimated to be undocumented. Back then, the recession left many migrants unemployed, employed in part-time and/or low-paid jobs, or forced to return to Mexico.²⁰

Entrepreneurship and Trade Impacts

Migrant entrepreneurship is primarily concentrated in small- and medium-sized enterprises (SMEs) and micro businesses, as well as high-value businesses. A 2010 study found that, for OECD-countries, entrepreneurship is slightly higher among immigrants than natives; however, the survival rate of migrant owned businesses are oftentimes lower than of their native counterparts.²¹ In the United States, a report for 2017 showed that immigrants were twice as likely to start businesses as compared to native-born Americans, with immigrants comprising nearly 30 per cent of all new entrepreneurs.²²

COVID-19 related lockdowns particularly impacted micro-businesses and SMEs. In April, an estimated 81 per cent of employers and 66 per cent of own-account workers were living in countries with recommended or required workplace closures.²³ These closures have an immediate and severe impact on business operations and create an elevated risk of insolvency. Once restrictions are lifted, restarting businesses require significant adjustments with cost implications.

Countries with large diaspora communities often tend to have trade and commercial links with countries of origin. This includes trade in nostalgic goods and services such as food, tourism, cultural goods, as well as investment and other categories of trade in goods and services. In addition, cross-border traders operating on an intraregional basis provide goods and services. Trade in goods and services during the COVID-19 pandemic has slowed due to a disruption of value chains, border restrictions, economic recession, and trade policy shocks, such as changes in commodity prices, exposing global and regional vulnerabilities to supply chains disruptions.²⁴ Migrant businesses, even small-scale suppliers of goods and services, can be linked to supply chains that have suffered a trade freeze. Additionally, informal trade between neighbouring countries conducted by small, unregistered traders across the border or at markets on the border have been inhibited by lockdown and travel restrictions, leaving small-scale traders and service suppliers with a reduced source of income.²⁵

¹⁸ OECD, [Contribution of migrant doctors and nurses to tackling the COVID-19 crisis in OECD countries](#), 13 May 2020

¹⁹ OECD and ILO, [How Immigrants Contribute to Developing Countries' Economies](#), 2018

²⁰ Li Ng, J.J. and C. Serrano, [BBVA Mexico Migration Watch](#), 1 April 2020

²¹ Organisation for Economic Co-operation and Development, [Migrant entrepreneurship in OECD countries](#), November 2010

²² Kaufmann Entrepreneurship Indicators, [National Report on Early-Stage Entrepreneurship](#), 2017, February 2019

²³ International Labour Organization, [ILO Monitor: COVID-19 and the world of work, third edition](#), 29 April 2020

²⁴ Javorcik B., [Global supply chains will not be the same in the post-COVID-19 world](#), in [COVID-19 and Trade Policy: Why Turning Inward Won't Work](#), April 2020

²⁵ Warn E., [Making the Case to Integrate Human Mobility into Cross-border Trade and Trade Facilitation Cross-border Trade and Border Management in Select Countries and Borders in the COMESA Region: A Case Study](#), IOM 2020

RECOMMENDATIONS

The pace, direction and speed of economic recovery remains unclear, with a considerable risk of reinforcing old or creating new inequalities or divergencies, as was highlighted in the recent IMF Economic Outlook.²⁶ When designing economic recovery measures and policies towards building forward better, there is a need to include the important economic contributions that migrants have been making to societies and economies in terms of their role in addressing some labour market imbalances and labour force shortages, supporting cross-country trade connectivity and trade in goods and services, entrepreneurship, investment, and financial stability. Migrants and displaced population groups are better able to support recovery if their specific vulnerabilities are addressed through inclusion and enabling conditions.

1. Monitor the situation and design appropriate responses.

The COVID-19 pandemic is fluid in its evolution and is intrinsically intertwined with broader structural transformations such as digitalization, the changing world of work, environmental and climate adaptation. Even after recovery, some jobs will become obsolete either by design or by default or require different skill sets, as industries and sectors undergo restructuring and adopt innovative technologies. To enable effective, informed, and swift responses at each phase of the COVID-19 crisis, it is necessary to track and monitor data collection methods relating to migrant movements, labour markets, financial sectors, and larger-scale economic and trade developments.

Further, the economic impact of COVID-19 on migrants' capabilities to make economic contributions and engagement in recovery is likely to vary given the multi-faceted nature of migration. For instance, migration is a North-South phenomenon just as it is a South-South phenomenon,²⁷ it is both high and low skilled as well as a rural to urban phenomenon.²⁸ Evidence-based policymaking and proper social management of economic responses is therefore needed to effectively address the complex health and economic outcomes of the COVID-19 pandemic on vulnerable migrant populations.

2. Take specific actions to support remittances.

During the COVID-19 pandemic, the international community worked intensively to assess impacts on the remittance markets and formulate responses and recommendations for governments, the private sector and diaspora associations. Several notable initiatives are the Swiss and United Kingdom government-led Call to Action on "Remittance in Crisis: How to Keep Them Flowing,"²⁹ the International Fund for Agricultural Development (IFAD) coordinated Remittance Task Force and the inclusion of remittances and financial impact on migrant population within the Canada–Jamaica led initiative "Financing for Development in the Era of COVID-19 and Beyond". As the situation evolves, several areas deserve further development:

²⁶ [IMF World Economic Outlook from April 2021](#)

²⁷ South-South Migration refers to movement of people across developing countries and by and large tends to be a regional phenomenon.

²⁸ [World Migration Report, 2020](#)

²⁹ www.knomad.org

- **Support the development of online and digital remittance transfer channels to further reduce costs.** A technology-focused framework can reduce transfer costs, largely because the physical infrastructure needed to complete the transfer is less as compared to more traditional modes of remittance transfer. For instance, in Nigeria a higher level of digital penetration has enabled the operation of digital remittance providers. Fintech providers Azimo and TransferWise brought the cost of transferring USD 149 from the United Kingdom to Nigeria down to 4 to 5 per cent, within reach of the UN's 2030 sustainable development goal target of 3 per cent.³⁰
- **Support the transition from informal to formal remittances.** While exact figures are difficult to obtain, it is estimated that informal unrecorded remittances through unofficial channels amount to 35 to 75 per cent of official remittances to developing countries, with significant regional variations.³¹ As a result of falling commission charges, senders may reduce their use of informal channels to send money. This in turn will create greater transparency, security of transfers and less exploitation.³² Raising awareness within the migrant community of lower costs may induce a behavioural change from informal towards formal remittance channels.
- **Promote financial inclusion.** Providing affordable and sustainable access to financial services must be a key part of governments' policy response to the current crisis. In 2017, only 63 per cent of adults in developing economies had an account with a financial institution, well below the 93 per cent in developed economies.³³ The COVID-19 pandemic provides an opportunity through enhanced digitization as well as leveraging mobile money channels to enable greater financial inclusion.
- **Promote financial literacy and enhance the financial ecosystem.** Financial and digital literacy enable migrants to make informed choices on the cheapest and most secure means of sending money home and provide a fuller understanding of financial products in which their families can invest. Financial products should be created or adapted according to migrant-specific needs, which in turn has an impact across the entire economy. An estimated 15 per cent of remittances are used for savings and investing in income-generating activities.³⁴ Avenues for investment vary depending on the skill and income level of migrants, and this includes savings accounts, insurance products, mortgages, investment products, portfolio investment, foreign direct investment, and real estate purchases.
- **Recognize and monitor the interrelationship between debt and remittances.** Debt can be both a driver and an outcome of migration. Migrant households incur loans to cover education, health-care, family farm support and business establishments. Migrants also take on debt to cover migration-related costs, such as recruitment, transportation, documentation, and medical checks. Remittances are used to service debt incurred by migrants, as in the case of remittance-receiving rural households in South-East Asia, which are reporting debt repayments as their primary use of remittances.³⁵ In the COVID-19 context, as remittances and income levels shrink, the issue of migrants' debt sustainability becomes increasingly important.

³⁰ Oxford Business Group, [How is COVID-19 affecting remittance flows in Emerging Markets](#), 30 April 2020

³¹ Freund C. and Spatafora N., [Remittances: Transaction Costs, Determinants, and Informal Flow](#), 2005

³² Aron J. and Muellbauer J., [The Economics of mobile money: Harnessing the transformative power of technology to benefit the global poor](#), 7 May, 2019

³³ [World Bank Global Financial Inclusion Database](#), May 4, 2021

³⁴ International Fund for Agricultural Development, [Sending Money Home: Contributing to SDGs One Family at a Time](#), 14 June 2019

³⁵ IOM and International Labour Organization, [Risks and rewards: Outcomes of labour migration in South-East Asia](#), 2017

3. Facilitate diaspora contributions.

A key and often underworked opportunity is the active inclusion of diaspora and migrants through policies, partnerships and programmes between government and other stakeholders including the private sector and diaspora associations. In the context of the COVID-19 pandemic, governments can build relationships with diaspora communities abroad and strengthen virtual collaborations with skilled diaspora, as demonstrated by health-care professionals willing to contribute virtually through telemedicine.³⁶

4. Support migrant enterprises.

Migrant enterprises are typically microbusinesses or small- and medium-sized enterprises, which create jobs but lack access to finance, and are least likely to benefit from fiscal stimulus measures arising out of the current crisis.³⁷ Resident migrant entrepreneurs would benefit from access to financial stimulus packages and other government schemes for credit, loan guarantees, microfinance, and other funding needs on equal terms with native populations. In the case of returning migrants, access to credit and grant programmes is enabling the development of longer-term livelihood plans.³⁸

5. Provide access to social security and stimulus packages.

As of June 2020, 195 countries or territories had planned or introduced social protection measures in response to COVID-19.³⁹ These mechanisms are an important safety net for migrant employees, self-employed individuals, entrepreneurs, and traders. It is important to ensure migrants and stakeholders which enable migrant economic contributions, e.g. remittance services providers, have equal access to financial stimulus packages and other measures. A key obstacle to this is the availability of information, as well as awareness amongst the diaspora and other stakeholders.

6. Anticipate and manage changes to the future of work.

Even prior to the COVID-19 pandemic, the world of work had been undergoing significant changes due to the influences of technology and globalization. The challenges introduced by COVID-19 are introducing additional dimensions to the changing world of work affecting different industries, in particular services, to a varied degree. We are witnessing an increased reliance on digital workspaces, changes in business operations and models, job creation and destruction arising out of technological developments, such as automation and robotics. As the world moves to the recovery stage of the pandemic and unites efforts to build forward better, it becomes crucial to ensure that the emerging responses, policies and systems continue to create conditions and environments that enhance migrant's contributions to development benefitting both countries of origin and destination.

³⁶ Beyond COVID-19, there are larger diaspora contributions that can be enhanced. In this regard IOMs 3Es strategy for action calls for engaging, enabling, and empowering diaspora. Engage diaspora by knowing who and where they are as well as how they can contribute. Enable transnational communities so that they can serve as architects of economic and social progress. Empower diaspora to mobilize skills and expertise.

³⁷ International Labour Organization, [ILO Monitor: COVID-19 and the world of work, third edition](#), 29 April 2020

³⁸ IOM, Issue Brief: [Migration-related socioeconomic impacts of COVID-19 on developing countries](#), 12 May 2020.

³⁹ Smith G. and Bowen T., [Adaptive Social Protection: the delivery chain and shock response](#), 2020.

MORE INFORMATION

International Organization for Migration (IOM)

- [Policy Guide on Migrant and Refugee Entrepreneurship](#), 2018
- Position Paper on Remittances, 2015
- Skills Mobility Partnerships: Towards a global approach to skills development and labour mobility, 2020
- IOM Blog: Remittances and Beyond: “[COVID-19 impacts all forms of Migration and Development](#)”, 2020
- Contributions and Counting: [Guidance on Measuring the Economic Impact of your Diaspora beyond Remittances](#).
- COVID-19 Analytic [Snapshot 53](#) and [Snapshot 66](#) on Remittances
- [World Migration Report 2020](#), Chapter 5, “Reflections on Migrants’ Contributions in an Era of Increasing Disruption and Disinformation”

Organisation for Economic Co-operation and Development (OECD)

- Employment Outlook 2019: The future of work 2019

United Nations

- Sustainable Development Goals Financing: [Summary of UN agencies](#)

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