STUDY SUMMARY

The Impact of the COVID-19 Pandemic on Migrant Remittances in the Philippines

Money sent home by migrants working abroad is an important source of income, particularly in low and middle-income countries. How do pandemic closures and restrictions affect migrants' remittances? Researchers built on a previous study to conduct two rounds of phone surveys between Filipino migrants in the UAE and their families in the Philippines. Migrants who have experienced income declines due to pandemic restrictions have reduced their remittances sent home, but the decline in remittances represents no more than a quarter the size of the migrant income loss.

Policy Issue

Remittances — the money migrants send to their families — are a fundamental source of income in many countries. On average, remittances represent 4.91 percent of gross domestic product (GDP), but in some countries, this percentage is much higher. In Somalia and El Salvador, for example, remittances represent 35 and 24 percent of GDP, respectively.[1] In low- and middle-income countries (LMIC), the flow of remittances is now larger than foreign direct investment and development assistance, making them a fundamental source of development funding.[2]

With the outbreak of COVID-19 and its impact on the global economy, policymakers worried about the resilience of remittance flows. How did pandemic closures and restrictions affect remittances sent by migrants? Previous research has shown that remittances can help households in the country of origin cope with adverse economic situations[3], but there is little evidence of the role of remittances when migrants themselves experience negative shocks.

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COUNTRIES
Philippines, United Arab Emirates

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Global Innovation Fund, Institute of Labor Economics IZA, Consultative Group on International Agricultural Research (CGIAR)

PROGRAM AREA
Financial Inclusion

TOPICS
COVID-19, Migration, Remittances

TIMELINE
2020-2021

Evaluation Context

In the Philippines, remittances represent ten percent of GDP, and about a quarter of Philippine households report receiving remittances.[4] Data suggest that both Filipino migrants and households at home faced difficult economic situations during the pandemic. According to the Philippine News Agency, more than 600,000 Filipino workers abroad have been repatriated since the pandemic began. Meanwhile, in April 2020, just a month after strict lockout measures began, the government reported a record-high unemployment rate of 17.6 percent.

Details of the Intervention

Note: This study is not a randomized controlled trial

Building on the Labeled Remittances study, researchers conducted two rounds of phone surveys with 2,269 Filipino migrants living in the United Arab Emirates and 2,687 migrant households in the Philippines to understand the impact of the COVID-19 pandemic on migrant's income and remittances.

A total of 1,188 migrants and 1,329 households participated in the first round of the survey, 729 of whom were paired — which means both the migrant and their home were interviewed. In the second round of surveys, 1,081 migrants and 1,358 households participated, among whom 708 were paired. The surveys were conducted six months apart between each round. The research team collected data on employment, income, transfer, food security, and health.

During the six months between the two rounds of surveys, migrant participants used Padalapp, a mobile application developed for the Labeled Remittances Study, to record their remittances. Half of the migrants were randomly assigned to have labeled their remittances for their preferred usages, and have these labels sent to the remittance recipients.

Results and Policy Lessons

Of the migrants interviewed, 43 percent said their monthly income fell compared to February 2020. On average, migrants report a decline of 55 percent of monthly income. Using regression analyses, researchers found that migrants who experienced negative income shocks due to the COVID 19 pandemic passed on some of this negative shock to their family members at home. However, the decrease in remittances was lower than the total decline in income, between a tenth and a quarter of income losses.

The research team also examined whether remittances would increase in the face of the economic difficulties faced by households at home. The results showed that the economic conditions of households did not affect the remittances received, as migrants kept their remittances to households in the Philippines relatively stable, except for the decrease in income described above.

The ability to label remittances for specific purposes, via Padalapp, does not affect the relationship between remittances and income.

More results forthcoming.

** This project was funded by Global Innovation Fund, Institute of Labor Economics, and The CGIAR Research Program on Policies, Institutions, and Markets.*

Sources

[1] The World Bank, "Remittances, Percent of GDP by Country, around the World," TheGlobalEconomy.com, 2020, https://www.theglobaleconomy.com/rankings/remittances_percent_gdp/.

[2] Knomad, Migration and Development Brief 34 (World Bank, Washington, DC, 2021), https://www.knomad.org/publication/migration-and-development-brief-34.

[3] Yang, Dean and HwaJung Choi, “Are Remittances Insurance? Evidence from Rainfall Shocks in the Philippines,” *World Bank Economic Review*, Vol. 21, No. 2, May 2007, pp. 219-248.

[4] Khanna, Gaurav, Caroline Theoharides, and Dean Yang, “Abundance from Abroad: Migrant Earnings and Economic Development in the Philippines,” 2020.