

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

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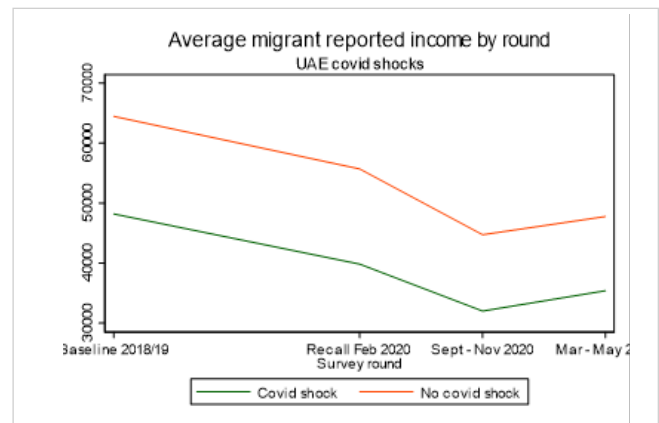


How do pandemic closures and restrictions affect migrants' remittances to developing countries?

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## Topic at a Glance

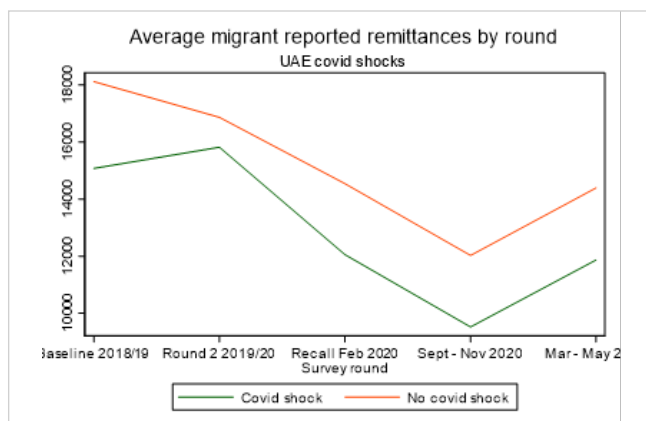
Money sent home by migrants working abroad is an important source of income, particularly in low and middle-income countries. In the Philippines, remittances represent ten percent of GDP, and about a quarter of Philippine households report receiving remittances.<sup>1</sup> With the outbreak of COVID-19 and its impact on the global economy, policymakers worried about the resilience of these important remittance flows. The lower-than-expected fall in remittances to low and middle income countries (-1.7% in 2020 versus -7.1% forecast)<sup>2</sup> could be the result of a transition from informal to formal channels. Field studies are necessary to assess the correct dimension of the COVID shock. To investigate how pandemic closures and restrictions affect migrants' income and 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. A total of 1,188 migrants and 1,329 households participated in the first round of the survey, from September to November 2020. 1,081 migrants and 1,358 households participated in the second round, from March to May 2021.



## New Insights

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,<sup>3</sup> but there is little evidence of the role of remittances when migrants themselves experience negative shocks.

**Migrant characteristics:** Migrant respondents are approximately three quarters female, just under half are single, and over half have children (in the UAE or in the Philippines). They are 36 years of age on average and had been in the UAE for an average of 6 years. The top employment categories are office support, sales, personal care, and food preparation, but smaller numbers also work in many other occupations. Seven percent of migrants reported not working right before COVID restrictions started in UAE, which rose to 14 percent in the first Covid-era survey and then fell to around 10 percent by the second round.



<sup>1</sup> Khanna, Gaurav, Emir Murathanoglu, Caroline Theoharides, and Dean Yang, "Abundance from Abroad: Migrant Earnings and Long-Run Economic Development," NBER Working Paper, 2021.

<sup>2</sup> See Knomad, Migration and Development in Brief n. 33 (2020) and n. 35 (2021).

<sup>3</sup> 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.

**Remittances receiving households:** Household respondents are also three quarters female, and 60 percent are married. The average respondent's age is 46. Households reported a decline in income and remittances across survey periods. In general, household-reported remittances are lower than migrant reported remittances. Households in our sample are distributed across different areas of the Philippines and report a large number of different occupations.

**COVID restrictions' impact:** We collected data on COVID-restrictions from official sources, at the emirate level in the UAE, and at the province level in the Philippines. This, together with other data we collected such as migrant occupations, allowed us to determine which migrant workers were affected by COVID-19 work restrictions in the UAE at any point in the pandemic. We then analyzed how being affected by COVID work restrictions affected migrants' income and remittances. We found that COVID work restrictions do not actually have negative effects on migrants' income, and also have no effect on the remittances they send home to the Philippines.

**Labeling remittances:** 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 the ability to label their remittances for their preferred usages, and have these labels sent to the remittance recipients. We hypothesized that the ability to label remittances for specific purposes, via Padalapp, might mitigate the effects of COVID restrictions on remittances as migrants have more control over how the remittances would be used. But the results show that labeling remittances had no effect – findings were no different among those assigned to the labeling treatment and the study participants who were in the control group.

## Policy Recommendations

Our results suggest that policy-makers should not automatically assume that COVID work restrictions will lead to lower income for migrant workers, or have effects on remittances they send home. Migrant workers appear able to maintain their income levels even when affected by pandemic-related work restrictions. The means through which migrant workers are able to shield their incomes from pandemic work restrictions should be the subject of future research.

## Limitations

A limitation of the research is that we have limited ability to understand how migrant workers were able to shield their incomes in the face of the COVID-19 work restrictions in the UAE. These results were unexpected, and the phone-based nature of our surveys meant that we could only collect data on a few outcomes. Future work could prioritize survey questions that probe the approaches and mechanisms that workers use to shield their incomes from pandemic-related work restrictions.

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