POLICY BRIEF

IMPACT OF THE COVID-19 PANDEMIC ON MIGRANT WORKERS IN THE INFORMAL SECTOR AND SPIN-OFF EFFECTS IN THEIR DESTINATION AND HOME COUNTRIES

Task Force 11
COVID-19: MULTIDISCIPLINARY APPROACHES TO COMPLEX PROBLEMS

Authors
MOHAMED SHARIF AHMED, DRAMANE COULIBALY, FATIH KARANFIL, HIND KINANI, ANA B. MORENO, LUC DÉSIRÉ OMGBA, NHUSHA VU
موجز السياسة
أثر جائحة كوفيد-19 على العمال المهاجرين في القطاع غير الرسمي والآثار الجانبية في بلدان منشأهم وبلدان وجهتهم

فريق العمل الحادي عشر: جائحة فيروس كورونا المستجد (كوفيد-19): نهج متعدد التخصصات لمعالجة المشكلات المعقدة

المؤلفون
محمد شريف أحمد، درامان كوليبالي، فاتح كارانفيل، هند كناني، آنا بي مورينو، لوک دیزیریه أومغا، نوشا فو
The coronavirus disease (COVID-19) pandemic has posed major challenges to healthcare systems worldwide. It will also have long-lasting effects on the economy, pushing millions around the world into precarity and poverty. The already vulnerable will be hit even harder—the slum dwellers; irregular and undocumented migrants, who are mostly women; and low-skilled migrant workers engaged in the informal sector. Furthermore, as migrant workers lose their jobs, this will impact not only the economies they work in, but also their home countries’ economies. Policy action supporting the workers and enterprises operating in both the formal and informal economy is critical in the recovery phase.

فرضت جائحة كوفيد-19 تحديات رئيسية على نظم الرعاية الصحية على مستوى العالم. كما أنها سيكون لها تأثيرات بعيدة المدى في الاقتصاد. مما يدفع الملايين حول العالم نحو الفقر وعدم الاستقرار، وسينشر الذين هم ضعفاء بالفعل إلى حدث أقوى، سكان الأحياء الفقيرة، والمهاجرين غير الشرعيين وغير المقيدين، الذين أغلبهم نساء، والعمال المهاجرين الأقل مهارة المنخرطون في القطاع غير الرسمي.
وعلاوة ذلك، فإن تأثير فقدان العمال المهاجرين لوظائفهم لن يتقصى فقط على الاقتصادات التي يعملون بها، بل سيستعدى أيضًا إلى اقتصادات البلدان التي جاءوا منها. وللحد من هذه الظاهرة الذي يدعم العمال وتشغيل الشركات في الاقتصاد الرسمي وغير الرسمي على حد سواء أمرًا جوهريًا في مرحلة التعافي.
In an effort to contain and slow down the spread witnessed in the first wave of the coronavirus disease (COVID-19) pandemic (from January to May 2020), national, sub-national, and local authorities enforced curfews, lockdowns, and various other protective measures.

Some of these measures triggered an economic and labor market shock, impacting both the supply and demand sides. Many industries shut down temporarily, while others may close permanently. Consumption and investments also sharply decreased. Uncertainty about the future as well as the continued spread of the virus is putting the global economy under significant strain, with businesses and workers around the world having to adapt to a rapidly changing environment, coupled with new constraints and challenges, to continue operating.

The International Labour Organization (ILO) reports that even in an optimistic scenario for recovery in the second half of 2020, globally, 34 million full-time jobs will be lost. The pessimistic scenario assumes that a second pandemic wave and the return of restrictions would result in a loss of as many as 340 million full-time jobs (ILO 2020a, 2020b).

Previous research conducted after the Ebola crisis shows that many patients worked in the informal sector (Barry et al. 2014); thus, the impact on workers in the informal economy is expected to be even greater during the current crisis. At the end of April 2020, of the 2 billion workers in the informal sector worldwide, 1.6 billion (67 per cent) were affected by full or partial lockdown measures, with women over-represented in the most hard-hit sectors (ILO 2020b).

The loss in income could create approximately 350 million additional poor persons in both lower- and upper-middle-income countries. This is equivalent to an increase in the poverty rate by 2.3 percentage points compared to a no-COVID-19 scenario (World Bank 2020b).

One of the challenges posed by the pandemic is the unprecedented constraint on mobility, both in terms of regimes for border and migration management, as well as the situation of all people on the move, including those displaced by conflict or disaster. In addition to the displaced population, many daily wage earners lost their only source of income. The loss of remittances, to the home economies, only multiplies the number of people affected by the situation of migrant workers.
Moreover, many informal workers live in informal settlements that lack in basic services, infrastructure, and health services, leading to a greater risk of contracting the virus.

Multidisciplinary and multidimensional long-term initiatives could still shape the economic, social, and spatial impacts over time. Cities and governments could learn from past experiences and collect data on key invisible dynamics affecting the most vulnerable population, recognizing that policies and decisions taken in times of crisis should be well-supported if they are to have a positive impact on the informal sector.

This policy brief discusses the impact of COVID-19 on informal and migrant workers, considering their socio-economic situation as well as their role in the economy of both the host and home countries.
The challenges described above call for innovative short- and medium-term solutions as well as adequate long-term policy responses from the global community, led by the G20. After an extended period of lockdown, most governments have realized the need to reopen their economies and adapt to the pandemic by mandating the wearing of masks and the maintaining of social distancing in public spaces. Currently, another wave of the pandemic is being recorded in some countries, including India, Brazil, and South Africa, due to the reopening of their economies. Thus, time is of essence, for governments to present policy proposals aimed at economic recovery. Furthermore, the plans that are currently designed will have long-term implications and will shape the economic future of the global population (Lahcen et al. 2020). According to the World Bank and the Global Knowledge Partnership on Migration and Development (KNOMAD) data, 75 per cent of the world's migrants work in countries that have reported three-quarters of the globe's COVID-19 cases (KNOMAD, 2020). Coordinated policy actions in these countries, some of which are members of the G20, would have a positive impact not only on their own socioeconomic recovery, but also in the origin countries of the migrant workers.

**Providing access to health and basic services systems**

While most G20 countries have social protection systems in place, they require innovative reforms that will reflect the needs of the vulnerable populations and provide them with the requisite protection. Support and adequate measures are especially essential in the countries of the Global South, which contain some of the world's largest informal settlements, presenting conditions conducive to the rapid spread of the virus (Corburn et al. 2020). Among the vulnerable populations, those living in informal settlements or working in the informal sector remain the hardest to reach when implementing any response measure during a crisis. Policy makers should ensure that migrants are duly integrated in their national responses plans for COVID-19.

Although leaders, doctors, and international experts have recommended various measures to contain the spread of the virus, it is clear that these measures are nearly impossible to implement in informal settlements, many of which do not have access to clean water sources and soap. While technological solutions could help address water, sanitation, and hygiene issues with the use of new techniques, such as alternative sewage treatment systems or solar-powered pumps, they are usually implemented as temporary and emergency solutions.
Furthermore, due to the lack of affordable housing options, informal workers are often forced to live in crowded conditions, with families and communities living in close proximity (Wasdani and Prasad 2020). Protective measures and social distancing can be very difficult to enforce, putting them at high risk of a rapid outbreak of the virus.

While many advanced economies have led the response to the pandemic with radical policy responses, with the rest of the world following their path, research has shown that mimicking policy responses from the West and adapting them to the local situation does not always work (Alon et al. 2020). Research and the lessons learnt from previous health crises show that responses to the pandemic should be locally directed and should take into account the diversity and complexity of social and economic specifics (Wilkinson 2020).

Short-term initiatives to tackle the health crisis have been implemented in some countries. These include providing access to free or low-cost testing and treatment for COVID-19 to migrant workers (for example, in Kazakhstan, Korea, Qatar, and Saudi Arabia); providing food and accommodation to displaced migrant workers (as Singapore did at the beginning of the crisis); arranging transportation or providing transportation subsidies to help migrants return home (as has been the case in China and Indonesia); and providing cash grants to migrant workers to compensate them for income loss and providing debt relief mechanisms (for example, in California in the USA and the Philippines) (World Bank 2020b).

Long-term strategies and large public investments will be even more crucial to tackle future COVID-19 waves as well as other health and humanitarian emergencies. There is also a need to upgrade physical and social infrastructures associated with the systemic problems of informal settlements. These should include opportunities to mitigate and adapt to climate change by implementing sustainable urban development approaches.
**Gathering gender- and age-sensitive data on migrants and informal sector workers**

Policy innovation and reforms will require new data collected through partner organizations and grassroots leaders, for a more evidence-based and inclusive approach, thereby ensuring that no person is left behind. Data on migrant workers, especially those working in the informal sector, are not necessarily part of the national statistics. However, in the present circumstances, having access to gender- and age-sensitive data on migrants is more crucial than ever.

Digital technologies have become a positive enabler in this crisis, facilitating business continuity and improving connectivity between people. Nevertheless, low-skilled workers as well as those with low education levels might be excluded, with inequality of access to broadband connectivity and information communication technologies further hindering their ability to access information on the pandemic and on the government’s responses and support measures.

The Migration Data Portal has published data on the impact of COVID-19 by age and sex. Globally, about 12 per cent of all international migrants are 65 years and older. However, in most of the 15 countries with the highest number of confirmed cases, persons aged 65 years and older represent a lower share in the international migrant stock compared to their share in the general population. The lockdown measures have, however, affected migrants of all ages.

Xenophobia against migrant workers should not be ignored, even more so in the case of persons with disabilities. For female migrants, who constituted 47.9 per cent of the global international migrant stock in mid-2019 (UNDESA 2019), the impact of COVID-19 is more severe due to the type of jobs they typically undertake. Rising levels of discrimination, violence, and harassment against women in the context of the COVID-19 crisis have also been reported.
Recovery of economic activity: Considering financial initiatives in the context of the informal sector

Support to businesses and jobs should target the most vulnerable and ensure that policies and programs remain flexible to adapt to each distinct phase of the COVID-19 crisis: containment measures, re-activation, and recovery. Before the COVID-19 pandemic, international migrants, who made up 3.5 percent of the world’s population in 2019, contributed nearly 10 per cent of the global GDP (roughly USD 6.7 trillion) in 2015—approximately USD 3 trillion more than they would have produced in their origin countries (IOM 2020c).

Businesses in the informal sector may resort to digital financial services and mobile money to prevent physical contact. Alternatives to physical interactions can also be found in digital platforms that allow businesses to sustain their communication and sales.

With migrant workers highly concentrated in occupations and sectors that are particularly hard hit by the economic consequences of the COVID-19 crisis, inevitably, remittances have also been affected.

Globally, the World Bank projects a decline of 20 per cent in the remittances to low- and middle-income countries in 2020, totaling USD 109 billion. However, despite its severity, this number masks the actual vulnerabilities of specific countries and communities that are particularly dependent on remittances. Remittances account for over 10 per cent of the GDP for 30 countries, and over 5 per cent of the GDP for 27 other countries. Smaller countries with high levels of emigration are particularly vulnerable; for example, remittances account for 30 per cent and 20 per cent of the GDP in Nepal and El Salvador, respectively (IOM 2020a, 2020b).

The governments of Switzerland and the United Kingdom, in collaboration with KNO-MAD, the World Bank, the United Nations Capital Development Fund, International Organization for Migration (IOM), United Nations Development Programme, the International Association of Money Transfer Networks, and the International Chamber of Commerce, have launched a “call to action,” asking policy makers, regulators, and remittance service providers to implement a series of measures for the benefit of migrants, their families, and local communities (KNOMAD, Call to Action, May 2020; Table 1 in the Appendix). Nevertheless, countries are confronted with a high level of
uncertainty and one common challenge—how to resume cross-border mobility while safeguarding global public health. This is to be achieved in such a way that no country is left behind in the effort to integrate public health concerns with human mobility at the border (IOM 2020b).

**Facilitating collaboration and reciprocity between host and origin countries**

The uncertainties caused by the COVID-19 pandemic are affecting large receiving and sending countries that rely heavily on migrant, diaspora, and expatriate contributions for growth and development.

Migrant workers in the informal sector are unlikely to have access to paid sick leave, unemployment benefits, or access to the state-led rescue and stimulus packages. Most of them are dependent on daily activities and earn a low income, which renders their confinement as well as their access to affordable healthcare and health insurance very problematic. Most importantly, many migrant workers may find themselves stranded and unable to return home, with the disruptions to visa regimes impeding some from taking up new work or returning to their countries. Meanwhile, some predict that migrants’ inability to travel for work could have devastating effects, and should travel restrictions become prolonged, it might affect numerous sectors of the global economy, including the global food supply chain, accelerating the deterioration of the economy as a whole.

The COVID-19 pandemic has also been causing asymmetric negative shocks among the economies of both home and host countries. Consequently, remittances will also be impacted asymmetrically depending on the economic repercussions of the outbreak in the host countries. This issue is particularly relevant for the Gulf Cooperation Council (GCC) countries, where migrant workers constitute most of the workforce. Moreover, it is one of the top remitting regions in the world. The Kingdom of Saudi Arabia (KSA) is the second largest host of migrants globally. According to the World Bank’s most recent data (World Bank 2020c, 2020d), following the United States, the United Arab Emirates and KSA have the world’s second- and third-largest migrant remittance outflows.

Remittances play a substantial role in the so-called “labor-exporting” economies as they facilitate investment, increase domestic consumption, and provide counter-cyclical stimulus in times of economic hardships. Remittances have been considered a stable source of revenue for these countries. Yang (2011) notes that in the wake of the financial crisis of 2008, global remittances decreased only 5.2 per cent, while foreign direct investment dropped nearly 40 per cent.
Many states are leading the way, implementing the Global Compact for Safe, Orderly, and Regular Migration (GCM) commitments and taking action to reduce the vulnerabilities of migrants in the context of the COVID-19 pandemic. The GCM network will work with governments to replicate and enhance promising practices that have emerged during this crisis—encouraging and facilitating joint efforts, sharing learnings from stakeholders on the ground, and assisting states to implement the GCM nationally in ways that respond to the pandemic (IOM 2020c). The network will also promote a more holistic understanding of migration and encourage cooperation between the involved agencies, stakeholders, and governments. It will favor discussing, reviewing to improve, and/or mainstreaming the implementation of the existing rules and regulations that have failed the pandemic prevention measures, such as decongestion of shelters in the workers camps, mobility limitation, and compensation for job losses, in addition to economic support for the vulnerable communities.

Mitigating the effects of the pandemic on oil prices and remittances in developing countries
For all countries dependent on oil export revenues (including new oil-producing developing countries), in addition to the pandemic, the recent oil price collapse is expected to widen the fiscal deficits. This would translate to deep cuts in government spending, which is a key driver of economic growth in these countries. The loss of oil revenues, coupled with the cost of healthcare services provided in response to the pandemic, has forced governments to take measures to increase government revenues (such as an increase in the value-added tax rate). These measures will directly affect migrants’ cost of living and consequently, their remittances.

We propose that the T20 should highlight the impact of the uncertainties caused by the pandemic on oil prices and remittances—two issues that are apparently unrelated, but in reality, are connected in the context of oil-producing and developing countries. The challenges faced by developing countries, for whom remittances represent the largest source of external financing, need to be understood and addressed to avoid an economic and social crisis in migrants’ home countries. Effective and feasible actions need to be adopted by the G20 and international organizations (e.g., IMF and the World Bank) in the post-pandemic period to lessen the repercussions of a possible decline in remittances on the economies of developing countries.

Governments should ensure that local businesses meet their obligations to the workers who have lost their jobs. For example, all companies should provide final transport tickets home and wages for the hours worked, as well as fulfill the contractual exit benefits.
In the post-pandemic period, labor-exporting countries may experience their highest-ever unemployment rates once the migrant workers who lost their jobs return to their home countries and join the numbers of local unemployed people already suffering from the pandemic. It should be noted that, at least in the short run, this impact might not be visible in the statistics of countries with a high level of informality in the labor market, as some of the returning workers may work in the informal sector. Another point worth mentioning is that the returning workers may bring back savings, skills, and experience to their home country, thereby benefiting its economy. This can help to create jobs and recover from the crisis. Consequently, targeted fiscal and monetary measures as well as good governance practices in the home countries should be implemented to increase entrepreneurial activities and facilitate small business development, while at the same time following changes in the labor market structure. The World Bank should increase its support to small and medium-sized enterprises in these countries to improve their access to finance. The ILO should continue to provide support to these countries by sharing country practices and developing guidance on how to best respond to the record-high unemployment levels.

Remittance transaction costs need to be reduced, as has been set as SDG target 10.c—to reduce the transaction costs to less than 3 per cent by 2030. In recent years, due to the increased competition in money transfer services, it has become easier and less costly to send remittances. The literature shows that migrants respond to the reductions in transaction costs by sending more remittances (Yang 2011). Money transfer operators should be considered essential service providers, and regulated digital remittance channels should be encouraged (FAO 2020). Tax on money transfer fees can be suspended during this period.

The IMF should grant specific credit lines to new oil-producing countries in the developing world, which are currently struggling with the low oil prices, combined with the economic hardships caused by the pandemic.
Disclaimer
This policy brief was developed and written by the authors and has undergone a peer
review process. The views and opinions expressed in this policy brief are those of the
authors and do not necessarily reflect the official policy or position of the authors’
organizations or the T20 Secretariat.
REFERENCES


REFERENCES


Table 1. Call to Action—Remittances in Crisis: How to Keep them Flowing

**Policymakers**

1. Declare the provision of remittances as an essential financial service
2. Establish economic support measures that will benefit migrants and remittance service providers
3. Support the development and scaling up of digital remittance channels for migrants and families

**Regulators**

4. Advise banks to apply risk-based due diligence measures with a view to continuing to provide banking services to remittance service providers during the crisis
5. Consider clarification of compliance and license renewal requirements for remittance service providers during the crisis
6. Provide regulatory guidance for proportionate Know-Your-Customer (KYC) requirements that are critical to scale digital financial services, especially for unbanked and undocumented individuals

**Remittance Service Providers**

7. Explore measures to provide relief to migrants, such as reducing remittance transaction costs, free cash pick-up and delivery, and other value-added services
8. Invest in financial education and awareness, including on digital remittance channels and available agent locations
9. Promote inter-operable open systems that can provide a foundation upon which migrant-centric financial products can be offered

**Additional reading**


IOM also issues bi-weekly COVID-19 global situation reports that are available on its website (www.iom.int); see references. In addition to these, please see the ninth Situation Report on COVID-19 for the Middle East and North Africa (MENA) Region (details below):


Mohamed Sharif Ahmed
International Organization for Migration

Dramane Coulibaly
University of Paris Nanterre

Fatih Karanfil
King Abdullah Petroleum Studies and Research Center (KAPSARC)

Hind Kinani
International Organization for Migration

Ana B. Moreno
OnCities

Luc Désiré Omgba
University of Lorraine

Nhusha Vu
OnCities