Labor Mobility and Remittances in Asia and the Pacific during and after the COVID-19 Pandemic

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LABOR MOBILITY DURING THE PANDEMIC: MASS RETURN AND SLOW DEPLOYMENT

The coronavirus disease (COVID-19) pandemic has affected cross-border movement of workers on at least two major fronts. First, to limit the contagion, many countries have resorted to lockdowns, strict border closures, and travel restrictions and bans, which brought cross-border labor mobility to a halt. Second, the contraction of economic activity at the height of the pandemic led to job cuts and reduced working hours in many destination economies, producing large-scale return migration while also curtailing the new deployment of migrant workers.

This ADB brief is an update to the two ADB publications released since the onset of the COVID-19 crisis, reporting on the impact of the pandemic on labor mobility and remittances in the region. This brief discusses key trends observed during the earlier part of 2021 and presents estimated global and regional remittance inflows for 2021 and 2022 based on the computable general equilibrium (CGE) model. With many economies showing signs of more

KEY POINTS

- The COVID-19 pandemic continues to disrupt cross-border mobility of workers. The slow opening of borders and oscillating travel and health protocols have caused low deployment of new and returning workers in 2021.

- Remittance inflows to Asia and the Pacific declined marginally by 2% to $314 billion in 2020, varying significantly across economies. Inflows are expected to recover at a growth rate of 6.7% (increasing by $21.2 billion) for 2021 and 5.9% (by $19.8 billion) in 2022.

- Governments of both migrant origin and destination countries should improve collaboration to establish flexible protocols and procedures for cross-border labor mobility. Governments should also ensure greater access to social protection and health services, including vaccines, for migrant workers and vulnerable migrant households.

- Governments should use this opportunity to reform policies on immigration, health, labor, social protection, and overseas employment. It is important to better facilitate migrants’ access to decent jobs, ensure the continuity of remittance services, and create an enabling environment for business and migrants.

1 The authors would like to thank Paul Vandenberg and Pinsuda Alexander for their comments to the draft.

2 Takenaka et al. (2020) discussed the impact of the COVID-19 pandemic on international migration, remittances, and the recipient households in developing Asia along with the estimated remittance inflows to the region for 2020. Meanwhile, Takenaka, Kim, and Gaspar (2021) discussed the factors that have kept remittance inflows in many developing Asian economies afloat in 2020 despite the severity of conditions and the economic downturn during the pandemic.
robust recovery, this brief provides policy recommendations to help smartly rebuild labor migration governance and gain from the huge economic potential of migration and remittances while addressing ongoing challenges beyond the pandemic.

**The unprecedented waves of returning migrants via repatriation flights following the loss of their jobs abroad** included almost 400,000 overseas Filipinos and 4 million Indian nationals in 2020 with a huge majority returning from the Middle East and the United States (US). Thousands of Central Asia’s labor migrants were also forced to return home, many of them coming from the Russian Federation. Major origin countries of migrants in developing Asia continue witnessing mass return migration until mid-2021. From late January 2021 until the end of April, an additional 2 million Indian citizens were repatriated from foreign countries via the government’s Vande Bharat Mission. As of May 2021, another batch of more than 130,000 Lao People’s Democratic Republic migrants returned home from Thailand (IOM 2021). Available year-to-date information also showed a large influx of returning migrants to Cambodia, Pakistan, and Sri Lanka. In response, the origin country governments continue to extend assistance to returned migrants, such as through job referrals, skills training and certification, as well as business developments.

In many instances, the deployment of new migrant workers **ceased, including those from the largest migrant-sending countries in developing Asia**. Overseas employment in Bangladesh was suspended from April to June 2020. The Government of Nepal temporarily stopped issuing permits for Nepali workers to go abroad from mid-March until August 2020. Similarly, in April 2020, the Philippine Overseas Employment Administration imposed a temporary deployment ban for health-care workers, citing a domestic need to fight the pandemic. In 2020, the official number of foreign workers in many popular destination economies, including those in Asia, dropped. The tally of foreign workers in Singapore was 1.2 million, lower by almost 200,000 compared with 2019. The number of foreign domestic helpers in Hong Kong, China, who were mostly from Indonesia and the Philippines, dropped by over 25,000 during the same period. According to the Malaysian Employers Federation, the number of foreign workers in Malaysia fell by around 321,000 in 2020 from almost 2 million in 2019. Many migrants, who have returned to their home villages in rural areas but have faced limited employment opportunities, still hope to remigrate when possible.

**More than a year has passed since the outbreak, but many of the top destination economies of Asian migrants, such as Australia, Canada, Japan, Saudi Arabia, Singapore, and the US, still have active bans in place for migrants from selected regions amid the emergence of new variants of the virus**. Prospective migrant workers to these places remain generally restricted especially as screening and quarantine rules and guidelines make travel more costly. As of August 2021, the number of newly deployed Pakistani workers registered by the Bureau of Emigration and Overseas Employment in 2021 remains subdued and has so far reached around 136,000 (Figure 1), with the biggest drop observed among lower-skilled workers. There is also slow recovery in deployment of Indonesian migrant workers who are largely women, domestic workers, and caregivers, as well as plantation workers.

**New and redeployed migrant workers continue to face challenges because of changing immigration and/or health protocols for general travelers and migrant workers**. Typically,
countries are now grouped into different color-coded categories based on the number of their COVID-19 cases, with people from the red and amber (orange) countries facing more restrictions than those from the green ones. The restrictions are applicable to all regardless of their migrant status, with some exceptions on humanitarian grounds. This compels migrant workers coming from the red countries to stop in a third and even a fourth location before entering their destination economy. This significantly increases migration costs and makes administration more complex. Furthermore, alongside the relatively low vaccination coverage in many migrant origin countries, deployment of their workers abroad might be constrained by the apparent difference in the vaccine mix including the use of brands that are not yet universally approved (Figure 2). Some major destination countries do not acknowledge certain types of vaccines, while revaccination with accepted vaccines may pose unintended health risks.

When migration options remain limited, people’s desires and ability to migrate can create an incentive to engage in illegal forms of migration such as smuggling and human trafficking. The International Criminal Police Organization (INTERPOL) (2020) reported incidences of misinformation on COVID-19–related travel restrictions by human traffickers to take advantage of people’s desires to migrate and offer their services for a higher price amid the difficulties posed by travel restrictions. In the meantime, some host countries are reinforcing their ongoing labor nationalization programs to address high local unemployment rates. In November 2020, Kuwait’s National Assembly passed into law an effort to reduce the proportion of its foreign population ambitiously from its current share of 70% to only 30%, while Saudi Arabia is moving to reserve 70% of certain retail jobs for locals. Likewise, in its effort to prioritize local workers, the Government of Malaysia first announced suspension of the intake of foreign workers in June 2020 followed by another ban from 19 September to December 2021.

Lessons from the past crises have shown that labor mobility will pick up as economies recover and that migrant workers play an essential role in postcrisis recovery in host and origin countries. This is true for host economies in which migrant workers account for a large share of the total labor force. The proportion of migrants to the total population in the Middle East, North America, and Europe ranged from 12% to 16% in pre-pandemic time (Figure 3a).

Figure 2: Uptake by COVID-19 Vaccine Product (% of population)

Note: Data refers to individuals who are fully vaccinated. Vaccine uptake data for Cambodia are as of May 2021; Pakistan and the United States are as of July 2021; Bangladesh, Canada, Indonesia, Nepal, Saudi Arabia, Sri Lanka, and Thailand are as of August 2021; and Germany; Italy; Malaysia; the Philippines; and Uzbekistan are as of September 2021. Other vaccines are not yet World Health Organization (WHO)-approved and include CanSino – Convidecia, Gamaleya Covid-Vac, and Anhui ZL – Recombinant.

Although the overall migrant-to-population ratio in Asia is only about 1%, Oceania (29.5%) and Central Asia (6.6%) show a significantly higher share of migrant workers than other Asian subregions (Figure 3b).

### REMITTANCE TRENDS FOR 2020 AND THE FIRST HALF OF 2021

Remittance inflows to Asia declined by 2% at $314 billion in 2020 from $321 billion in 2019. This is a significantly muted drop compared with the 11.5% decline initially estimated during the height of the pandemic in 2020 (Takenaka et al. 2020). The observed resiliency of remittances during the pandemic reflects mainly the altruistic behavior of migrants who are more than willing to support their families back home as they face deteriorating economic conditions (Kim et al. 2021). Acting as economic buffers (i.e., countercyclicality of remittances), altruistic motivation could have mitigated the negative impacts caused by the crisis (Takenaka, Kim, and Gaspar 2021). Other factors that buttressed the inflows include fiscal stimulus and labor market support accessible to migrants in some developed host countries, and a wider use of formal channels including digital ones due to mobility restrictions that prevented over-the-counter transfer as well as the financial incentives in favor of formal remittances (Kpodar et al. 2021). Reportedly, repatriating migrants might be sending off their accumulated assets in the form of remittances (Uddin [2020] in the case of Bangladesh), providing additional momentum in remittance inflows during the pandemic. That said, assuming an equivalent scale of resiliency in remittances among recipient households can be misleading. Household data from Bangladesh, for example, records greater proportionate loss and slower recovery of monthly remittance receipt when compared to the aggregate remittance inflows to the country (Box 1).

By subregion, remittance inflows to South Asia, which account for nearly half of the total inflows to the region, grew by 5.2% at $147 billion in 2020 (Figure 4a). Financial incentives offered by the governments of Pakistan, Bangladesh, and Sri Lanka have been instrumental in encouraging migrants to send larger remittances during the pandemic. Pacific island economies also received greater amount of remittances during the period, managing a double-digit 14.4% growth (Figure 4b). All the other regions experienced a drop in remittances in 2020. As a result of the pandemic, Southeast Asia and East Asia, two of the largest recipients after South Asia, declined by 3.5% and 10.1% in 2020, respectively. Central Asia fared worse, showing a decline of 10.8% due to the recession caused by COVID-19 and the wave of returning migrants from the Russian Federation. For countries that depend largely on remittances, this can have a strong negative economic impact, particularly in the form of lower consumption level.

Remittance inflows for 2021 are robust in many developing countries in Asia and the Pacific. Of the 11 countries with available data, nine reported a higher level of remittances compared with the same period in 2020 (Table 1). Remittance receipts in Fiji and Georgia grew at least 30% (year-on-year). Pakistan, Armenia, and the Kyrgyz Republic also posted strong growth of at least 20%. In contrast, remittance inflows to Kazakhstan remained weak but now seemed to be following its general monthly trend, which contrasts with the erratic trend observed in 2020. Meanwhile, worker remittances in Sri Lanka continue to slip on a downward trend, with recent months recording lower levels than in 2020.
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ESTIMATING THE COVID-19 IMPACT ON REMITTANCE INFLOWS

This section presents the simulation-based estimates of the impact of the ongoing COVID-19 resurgence—in Asia and the Pacific and other parts of the world—on remittance inflows for 2021 and 2022. In general, a two-track recovery from COVID-19 is observed, which will reshape remittances in the near term. On one hand, the advanced economies in the world are reopening more economic activities as vaccine coverage widens and the number of critically ill cases remains suppressed. Meanwhile, many developing economies in Asia and the Pacific—particularly South Asia, Southeast Asia, and Central and West Asia—continue to see higher COVID-19 cases due to the spread of more transmissible variants, which are affecting the economic prospects in the region.

The simulation exercise based on the CGE model assumes a pessimistic recovery from COVID-19 in the Asia and Pacific region (ADB forthcoming). The more transmissible Delta variant is expected to affect country-specific variables—such as tourist

Box 1: Pandemic-Induced Remittance Shocks: The Case of Rural Households in Bangladesh

The remittance sent by migrant workers to their families and loved ones back home has helped families smooth consumption and prevent them from falling into poverty in time of income shocks. Repeated tele-surveys were conducted by the Asian Development Bank Institute (ADBI) in 2020 among nationally representative rural households in Bangladesh. Malek, Truong, and Sonobe (2021a and 2021b) reported that the rebound of remittance inflows in the latter part of 2020 helped recipient families smooth their consumption without resorting to the sale of any of household assets.

Even with the receipt of remittances, many migrant households experienced large income shocks. In fact, the ADBI tele-survey data show that a large proportion (40.4%) of remittance-recipient households reported not receiving any remittance during the early phases of the pandemic from March to May 2020. Households with migrant family members who were continuously sending money home received Tk6,380 ($75) per month which was much less than the average monthly remittance of Tk18,255 ($215) in the pre-pandemic period (i.e., December 2019 to February 2020). From the second quarter of 2020, some households saw the unexpected return of their migrant family members mainly because of terminated contracts. The situation of families with migrant family members still in destination countries, however, seemed to have improved during the latter half of 2020 upon receiving higher remittance amounts.

The household data from the tele-survey are generally consistent with the macro remittance data from the Bangladesh Bank, which is regularly reported by the Bureau of Manpower, Employment, and Training (box figure). But the monthly pattern from the household data shows a greater proportionate decline and fluctuation over time relative to the macro-level information. The household data also suggest that the recovery of monthly remittance receipts has been slow. These observations show that assuming an equivalent scale of shocks felt by the remittance-recipient country may result in underestimating the extent of shocks felt at the household level.

Macro versus Micro Data Sources — A Comparison of Aggregate International Remittance Inflows to Bangladesh in 2020

![Graph showing macro versus micro data sources]

BMET = Bureau of Manpower, Employment, and Training; rhs = right-hand side.
Source: Author’s calculation using the ADBI telephone survey among Bangladesh rural households conducted in three waves (i.e., June 2020, September 2020, and January 2021).

a In the Philippines, Yang and Choi (2007) found that the consumption of remittance-recipient households in the presence of income shocks via rainfall remain unchanged, while consumption strongly responds to income shocks among households without overseas migrants.
Source: Authors.
Meanwhile, World Bank (2021) forecasts around 6.5% and 3.1% remittance growth for 2021 and 2022, respectively. A COVID-19 resurgence is expected to continue in 2022, but the number of COVID-19 cases will be 50% lower than in 2021. The global economy is expected to grow by 5.3% in 2021 before slowing to 4.2% in 2022. Similarly, the Asia and Pacific economy is expected to grow by 6.6% in 2021 and at a slower rate of 5.3% in 2022. It is worth to note that this exercise is not designed to forecast remittance inflows but to estimate the potential impact of macro-level changes that will occur when further economic disruptions emerge from COVID-19–related shocks and containment measures (Box 2 provides detailed discussion on the estimation methodology).

### Global Remittance Inflows Expected to Recover in 2021 and 2022

Based on the simulation exercise, global remittance inflows under the given COVID-19 scenario are expected to recover as cross-border labor mobility gradually resumes. Worldwide remittance receipts are expected to increase by 4.8% ($34.0 billion) in 2021 and by 4.2% ($30.7 billion) in 2022 (Table 2). In growth terms, the recovery of remittance inflows is broadly on par with the expected global gross domestic product (GDP) growth. The higher remittance growth estimated for 2021 reflects the base effect, the migrant workers’ desire to remit and possibly make up for foregone remittances in 2020. Indirectly, a countercyclical effect could also have been captured by the model through the two-track recovery between the source and recipient economies. As we all know, most advanced economies, which are the primary sources for remittances, have already recovered more strongly from COVID-19 arrivals, domestic consumption, investment, and production—and will simultaneously increase trade costs. A COVID-19 resurgence is expected to continue in 2022, but the number of COVID-19 cases will be 50% lower than in 2021. The global economy is expected to grow by 5.3% in 2021 before slowing to 4.2% in 2022. Similarly, the Asia and Pacific economy is expected to grow by 6.6% in 2021 and at a slower rate of 5.3% in 2022. It is worth to note that this exercise is not designed to forecast remittance inflows but to estimate the potential impact of macro-level changes that will occur when further economic disruptions emerge from COVID-19–related shocks and containment measures (Box 2 provides detailed discussion on the estimation methodology).

### Table 1: Remittance Inflows to Selected Countries in Asia and the Pacific, 2019–2021

<table>
<thead>
<tr>
<th>Country</th>
<th>2019</th>
<th>2020</th>
<th>2021 (Available year-to-date)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Armenia</td>
<td>1,958.6</td>
<td>1,841.7</td>
<td>1,340.1 23.2</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>18,327.5</td>
<td>21,741.9</td>
<td>17,240.9 11.2</td>
</tr>
<tr>
<td>Bhutan</td>
<td>39.9</td>
<td>111.2</td>
<td>63.2 5.2</td>
</tr>
<tr>
<td>Fiji</td>
<td>587.5</td>
<td>638.5</td>
<td>469.5 38.1</td>
</tr>
<tr>
<td>Georgia</td>
<td>1,733.3</td>
<td>1,886.0</td>
<td>1,496.3 31.0</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>900.6</td>
<td>696.1</td>
<td>438.0 -0.4</td>
</tr>
<tr>
<td>Kyrgyz Republic</td>
<td>2,406.9</td>
<td>2,377.2</td>
<td>1,494.7 21.8</td>
</tr>
<tr>
<td>Pakistan</td>
<td>22,116.2</td>
<td>25,956.7</td>
<td>20,586.0 23.9</td>
</tr>
<tr>
<td>Philippines</td>
<td>33,467.2</td>
<td>33,193.7</td>
<td>19,783.3 6.0</td>
</tr>
<tr>
<td>Samoa</td>
<td>205.0</td>
<td>226.6</td>
<td>154.4 6.1</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>6,717.2</td>
<td>7,104.2</td>
<td>4,224.3 -2.8</td>
</tr>
</tbody>
</table>

Note: Remittances data for Bangladesh refer to January to September; data for Armenia, Georgia, Kazakhstan, Pakistan, Samoa, and Sri Lanka are from January to August; and data for Bhutan, Fiji, the Kyrgyz Republic, and the Philippines are from January to July. Source: Authors’ calculations using monthly remittance data from the central banks of respective countries.

Note: Data labels on Figure 4a refer to the amount ($ billion) of remittances received by each subregion. Source: Authors’ calculations using data from Global Knowledge Partnership on Migration and Development (KNOMAD). http://www.knomad.org/data/remittances (accessed November 2021).

3 Meanwhile, World Bank (2021) forecasts around 6.5% and 3.1% remittance growth for 2021 and 2022, respectively.
Box 2: Methodology for Estimating the Impact of COVID-19 on Remittances

To estimate the impact of the ongoing coronavirus disease (COVID-19) pandemic on the inflows of remittances to Asia and the Pacific, the study followed the methodology used in the earlier brief (Takenaka, et al. 2021) and used the Bilateral Labor Migration (GMig2) Model and Global Trade Analysis Project Version 10A, which are consistent with the General Agreement on Trade and Services Mode 4 or the temporary mobility of natural persons.

The analysis assumes that the endogenous change in the number of employed migrants reflects the combined effects of changes in border and mobility restrictions, as well as changes in wage differentials between origin and host countries. In the model construction, remittances are kept as a fixed proportion to income earned by guest foreign workers in the host economies. Thus, any COVID-19 shocks on remittance inflows are transmitted through the following channels:

- border controls or mobility restrictions, affecting the movement of natural persons;
- closure of economic activities, leading to widespread job losses, including those held by foreign workers in host economies; and
- decline in gross domestic product (GDP) growth of all economies (origin and host), affecting the wage differential and the employment status of the labor force between origin and host economies.

These shocks affect employment and wages by sector, which indirectly affects the wages and income earned by all labor types, including foreign workers. In turn, remittances drop along with the decline in the number of migrants and the income earned by foreign workers.

Considering the latest available information, the simulation exercise adopts a pessimistic scenario for outbound migration and remittance inflows to Asia covering 2021 and 2022.

Source: Authors.

Under such pessimistic scenario, the emergence of the more transmissible Delta variant is expected to depress country-specific variables—including tourist arrivals, domestic consumption, investment, and production—and increase trade costs up to the end of 2021, with some smaller resurgence of the Delta variant or new variants in 2022. In terms of infection level, we factor in a 50% reduction in the number of COVID-19 cases for 2022 compared with 2021.

A number of natural omissions and simplifications should be kept in mind when interpreting the overall results of the model, as a few important channels of COVID-19 impact on migrant workers and remittances have not been accounted for such as (i) the impact of death and disability on migrant workers; (ii) the impact on the cost of sending remittances; (iii) changes to migration-related policies, such as further restrictions in their host countries’ work visa programs; and (iv) the possible heterogeneity in the impact of COVID-19 on jobs among local and migrant workers within and across sectors and economies. More importantly, for some economies such as those in the Pacific with only few COVID-19 cases, the calculated GDP impacts are modest and have the potential to increase substantially if COVID-19 caseloads intensify.

Further, this exercise is not designed to forecast remittance inflows. Rather, it evaluates the potential impact of macro-level changes based on the assumptions embedded in the baseline scenario. Therefore, the actual data to be observed are a result of a wide range of events in each country or territory that are not necessarily captured clearly in the model. For example, the model is unable to capture the countercyclical surge in remittances amid the tendency of many migrants to continue sending money and support their families in times of distress—which is more of a sociocultural than economic behavior. The actual GDP growth could also vary from the more pessimistic growth assumed in this scenario.

The estimated robust recovery of remittances in the near term can be largely linked with the expected higher remittance receipts coming from migrants in more advanced economies such as the United Kingdom (UK), the US, the European Union (EU), and the Middle East. In 2021, the UK, the US, and the EU will account for about 76.5% of the total increase in global remittance, while the Middle East will account for 15.5% (Table 3). For the same period, the UK, the US, and the EU will account for about 60.4% of the total increase in remittance inflows to Asia, with an additional 29.1% of the recovery coming from the Middle East.

The intra-regional remittance inflows in Asia and the Pacific will undergo modest recovery, increasing by an average of about $1.1 billion per year in 2021 and 2022. The intra-regional remittance inflows, however, will account for only 4.7% of the increase in remittance inflows to the Asia and Pacific region in 2021 (Table 3). Remittance inflows from the region to South Asia, Southeast Asia, and East Asia are expected to recover in the near term. Meanwhile,
### Table 2: Projected Change in Remittance Inflows due to COVID-19 by Subregion, 2021 and 2022

<table>
<thead>
<tr>
<th>Remittance-Recipient Region/Territory</th>
<th>Remittance Inflows, 2020</th>
<th>Projected Changes</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ million</td>
<td>% change</td>
<td>$ million</td>
<td>% change</td>
</tr>
<tr>
<td>Asia and the Pacific</td>
<td>314,379</td>
<td>−2.0</td>
<td>21,205</td>
<td>19,793</td>
</tr>
<tr>
<td>Australia and New Zealand</td>
<td>1,338</td>
<td>−39.6</td>
<td>80</td>
<td>54</td>
</tr>
<tr>
<td>Central Asia</td>
<td>16,805</td>
<td>−10.8</td>
<td>163</td>
<td>157</td>
</tr>
<tr>
<td>East Asia</td>
<td>72,802</td>
<td>−10.1</td>
<td>4,149</td>
<td>3,282</td>
</tr>
<tr>
<td>PRC</td>
<td>59,507</td>
<td>−13.0</td>
<td>3,353</td>
<td>2,727</td>
</tr>
<tr>
<td>Japan</td>
<td>4,875</td>
<td>11.1</td>
<td>59</td>
<td>82</td>
</tr>
<tr>
<td>South Asia</td>
<td>147,132</td>
<td>5.2</td>
<td>13,837</td>
<td>11,610</td>
</tr>
<tr>
<td>Southeast Asia</td>
<td>75,362</td>
<td>−3.5</td>
<td>2,983</td>
<td>4,618</td>
</tr>
<tr>
<td>Pacific</td>
<td>941</td>
<td>14.4</td>
<td>−7</td>
<td>73</td>
</tr>
<tr>
<td>EU+UK</td>
<td>129,487</td>
<td>−5.9</td>
<td>3,841</td>
<td>3,689</td>
</tr>
<tr>
<td>Middle East</td>
<td>19,632</td>
<td>−7.2</td>
<td>41</td>
<td>84</td>
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<tr>
<td>Rest of the world</td>
<td>225,606</td>
<td>0.2</td>
<td>8,626</td>
<td>6,842</td>
</tr>
<tr>
<td>Russian Federation</td>
<td>9,915</td>
<td>−5.0</td>
<td>210</td>
<td>209</td>
</tr>
<tr>
<td>United States</td>
<td>6,498</td>
<td>−9.3</td>
<td>119</td>
<td>94</td>
</tr>
<tr>
<td>Total</td>
<td>705,517</td>
<td>−2.3</td>
<td>34,041</td>
<td>30,711</td>
</tr>
</tbody>
</table>

EU = European Union, PRC = People’s Republic of China, UK = United Kingdom.
Note: Data on remittance inflows for 2020 are drawn from estimates by the World Bank and can be accessed at https://www.knomad.org/data/remittances.
Source: Authors’ estimation.

### Table 3: Projected Change in Remittance Inflows due to COVID-19 by Remittance-Source Region/Territory, 2021

<table>
<thead>
<tr>
<th>Remittance-Recipient Region/Territory</th>
<th>Remittance-Source Region/Territory</th>
<th>Global</th>
<th>Asia and the Pacific</th>
<th>US and EU+UK</th>
<th>Middle East</th>
<th>Rest of the world</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia and the Pacific</td>
<td></td>
<td>21,205</td>
<td>992</td>
<td>12,814</td>
<td>6,173</td>
<td>1,227</td>
</tr>
<tr>
<td>Australia and New Zealand</td>
<td></td>
<td>80</td>
<td>−14</td>
<td>86</td>
<td>0</td>
<td>9</td>
</tr>
<tr>
<td>Central Asia</td>
<td></td>
<td>163</td>
<td>−41</td>
<td>359</td>
<td>0</td>
<td>−155</td>
</tr>
<tr>
<td>East Asia</td>
<td></td>
<td>4,149</td>
<td>309</td>
<td>3,439</td>
<td>0</td>
<td>401</td>
</tr>
<tr>
<td>PRC</td>
<td></td>
<td>3,353</td>
<td>305</td>
<td>2,719</td>
<td>0</td>
<td>329</td>
</tr>
<tr>
<td>Japan</td>
<td></td>
<td>59</td>
<td>−6</td>
<td>61</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>South Asia</td>
<td></td>
<td>13,837</td>
<td>558</td>
<td>6,916</td>
<td>5,581</td>
<td>782</td>
</tr>
<tr>
<td>Southeast Asia</td>
<td></td>
<td>2,983</td>
<td>178</td>
<td>2,022</td>
<td>592</td>
<td>191</td>
</tr>
<tr>
<td>Pacific</td>
<td></td>
<td>−7</td>
<td>1</td>
<td>−8</td>
<td>0</td>
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</tr>
<tr>
<td>Global</td>
<td></td>
<td>34,041</td>
<td>670</td>
<td>26,032</td>
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<td>2,046</td>
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</tbody>
</table>

Source: Authors’ estimation.
remittance inflows from Asia and the Pacific to Australia, New Zealand and Japan are expected to contract. This continued weakness of Asia and the Pacific as a source of remittances primarily reflects the higher number of COVID-19 cases as well as the more stringent application of border and mobility restrictions in the region.

Varying Impacts by Recipient Subregion

South Asia is expected to sustain robust remittance inflows in 2021, growing 9.4% (increasing by $13.8 billion). During the same period, remittances to East Asia and Southeast Asia will also grow by 5.7% (by $4.1 billion) and 4.0% ($3.0 billion), respectively. Remittance inflows to Central Asia will slightly increase by 1.0% ($163 million) in 2021. In contrast to high 2020 growth, however, remittance inflows to the Pacific island economies will contract in 2021 by 0.8%. For 2022, growth in remittance inflows to Central Asia, East Asia, Oceania, and South Asia will decelerate, while Southeast Asia will post higher growth. Encouragingly, remittance inflows to the Pacific island economies is estimated to recover and post a 7.8% growth in 2022.

Note that the projected recovery in remittance inflows to some subregions including Central Asia, East Asia, and Oceania still falls short in compensating for the decline in remittances observed in 2020, suggesting lasting effects of the pandemic on migrant workers and their families. The UK, the US, the EU, and the Middle East remain the key sources of remittance recovery for all the recipient subregions.

Comparison of the Estimated Impact to a No-COVID-19 Scenario

To better understand the impact of COVID-19 on remittances, we calculated a projection of remittance inflows to Asian economies that might have happened if the pandemic had not occurred, by assuming average annual growth of remittance inflows during 2015–2019 to the actual 2019 remittance levels. The no-COVID-19 scenario is then compared with the remittance inflow estimates in 2020 and 2021 (Figure 5).

The recovery of remittance inflows in 2021 remains below their no-pandemic projections for most economies in Asia and the Pacific. Of the 36 economies in the sample, 23 recorded lower remittance inflows than the no-pandemic projection in 2020. Actual remittances were 16.3% lower on average for this group of economies. Meanwhile, 13 economies recorded inflows that exceed the no-pandemic projections, including Japan, the Republic of Korea, Bangladesh, Pakistan, and Sri Lanka as well as small island economies of Fiji and Samoa. For the South Asian countries, larger remittance inflows are expected from the EU, the Middle East, the UK, and the US where robust economic recovery is anticipated.

These results confirm the substantial disruptions caused by the COVID-19 pandemic on migrant workers and their families in two-thirds of the economies reviewed. As of the last quarter of 2021, most destination economies are still reeling from the effects of COVID-19, and it will likely take time before borders reopen fully to foreign workers, even if domestic outbreaks in many host economies are contained. Effective policy support and incentives to help the migrant and remittance sectors recover can make a significant difference (Takenaka et al. 2021).

WAY FORWARD AND RECOMMENDED ACTIONS

Evidence from past crises have shown that labor mobility and remittance flows will steadily pick up their pace along the path to economic recovery. While uncertainty over the exact timing of this resumption remains high, relevant authorities of migrant origin and destination countries are encouraged to take action to mitigate further pandemic shocks on migration and remittance flows and prepare for the resumption of safe and resilient cross-border labor mobility schemes.

Protect migrants and families from health and economic risks

The governments of origin and destination locations need to ensure that migrant workers and their families have access to social protection, including health services, employment-related support, and social assistance. In case of prolonged disruptions in remittance flows, the origin governments should be well prepared to further help returned migrants and their dependents. Some recipient households remain at risk of falling into poverty, which calls for sustaining support especially for those with little access to employment such as older persons, single parents, and persons with disabilities.

Furthermore, access to COVID-19 vaccines among migrants must be guaranteed, regardless of their migratory status. Therefore, any barriers that prevent migrants from accessing vaccination services should be addressed particularly at the destination countries. Documentary requirements such as proof of identification and residence deter migrants’ willingness to get vaccinated. Other factors that contribute to migrants’ high vaccine hesitancy include lack of confidence in the vaccine benefits and safety, social influence and norms, lack of trust and practical information on the process, and outreach and language barriers (WHO 2021). Countries of origin of migrants need to intensify efforts to provide vaccines for all citizens including returned and prospective migrants to enable them to remigrate when possible. Host countries can support such efforts.

Sustain remittance flows

For some countries, the recovery in remittance flows to pre-pandemic levels will be slow; therefore, home countries and migrant families must prepare accordingly. In particular, migrant origin countries are encouraged to continue their

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4 Some destination countries such as Malaysia and Singapore have targeted migrant conclaves (e.g., dormitories) to facilitate vaccine access.
actions to sustain and further innovate incentive programs that encourage remittance inflows. The Government of Pakistan, for example, approved in August 2021 additional incentives worth over PRs13 billion ($75 million) under the National Remittance Loyalty Program. More recently, the State Bank of Pakistan will harness digitalization via the launch of a mobile application by the end of October 2021. In Bangladesh, the government will continue to offer the 2% matching cash incentive program on inward remittances which was initiated in 2019. Meanwhile, Sri Lanka is continuing a scheme of providing matching funds to the remittances sent by Sri Lankans employed overseas through licensed banks.
Identify new models of labor mobility

In migrant origin countries, better facilitation of emigration is essential as new and redeployed migrant workers continue to face challenges because of frequent changes in immigration and/or health protocols. The governments of the origin countries can negotiate with host countries to agree on a combination of vaccine certificates and regular testing. In particular, migrant workers in high vacancy and/or priority sectors could be given fast-track treatments to facilitate their quick entry into the host country workforce. This has been done in some countries for paramedic workers and can be expanded to other migrant workers in key sectors, provided it is carried out in an open and transparent manner to avoid any potential backlash of anti-migrant sentiment. The goal is to set up a flexible and pro-business protocol and procedures for labor mobility.

The stigma for migrant workers coming from “red” and “amber” locations could be addressed by establishing a credible vaccination system combined with regular testing in the work and other key places. First, vaccinations for migrant workers and key workers in the home and host countries should be prioritized. Second, given that there are many kinds of vaccine with varying degrees of efficacy, any issues on the acceptance of their vaccine certificates should be resolved by combining the existing vaccine certificates with a regular test that can be conducted at the points of departure, arrival, and in the workplace. This option is better because forcing revaccination and/or boosters with different vaccines may pose additional health risks to the workers. In the end, the aim for all these is to ensure, once and for all, that incoming migrant workers are not associated with being virus spreaders or new clusters.

Rebuild migration governance smartly

The unprecedented and widespread impact of the COVID-19 crisis provides an opportunity to implement comprehensive reforms to tackle the fundamental and structural issues related to migration and remittances, to maximize the benefits of migration and remittances to the host and home economies, and to migrant families. Reform is necessary to ensure a robust recovery and a safe, orderly, transparent, and productive migration.

The reforms should consider the nature and characteristics of migration in Asia, especially for those on short-term contracts and “business driven” migration, where the role of the employer is very dominant in shaping the migration process and outcome. In addition, governments should also consider the life cycle of migration—from deployment, work in the host country, and return and integration. To some extent, policy reforms are needed at all levels of interventions, involving governments at the international and national levels, institutions at the sector and thematic levels, and migrant workers and their families at individual and household levels.

For host countries, it is important to leverage and demonstrate the need for and the role of migrant workers in economic recovery by including them in policies and plans for better rebuilding of economies. This is important to avoid public opinion backlash against migrants being a source of the spread of the virus, as well as to reduce the overall anti-immigration sentiment that is a result of increasing unemployment among locals. Australia, for instance, has already recognized migrants in its post-pandemic recovery strategy by encouraging more skilled migration and expediting visa processing to attract more skilled migrants to the country (PwC 2021), especially to fill the critical vacancies. Other countries, such as Canada and the UK, are also working on a similar arrangement, including improving the immigration policies to attract more skilled and specific workers as part of the post-pandemic economic strategy. As a majority of the world’s migrants work in countries that have 75% of the global COVID-19 cases (KNOMAD 2020), coordinated actions between and among these countries would provide support for each other toward faster and stronger post-pandemic recovery.

Further efforts to improve the recruitment system and facilitate migration processes are vital to reducing migration cost such as recruitment and placement fees. In this regard, it is important to ensure that each migrant worker has a clear and detailed official contract, complete with the necessary specifications to ensure the conditions for decent work. Amid the increasing uncertainties brought on by COVID-19, migrant workers are growing more prone to increasing overall migration cost and exploitation schemes, which must be anticipated by both the host and home economies. The governments also need to effectively engage private recruiters and other intermediaries to bring down the cost of migration.

Collecting and sharing timely, accurate, and reliable information on the movement of migrant workers and remittances is essential to identify effective responses. Strengthening the data generation and information collection infrastructure can address data gaps and enable the monitoring of any abrupt changes that require policy interventions. Such a system can also facilitate coordination and cooperation during emergencies and, in the long run, help policy makers better assess and respond to migration issues.

Finally, strong bilateral and regional cooperation among origin and destination countries will help achieve many of the recommendations listed above. An effort to establish minimum labor and social protection standard/portability migrants (such as the Association of Southeast Asian Nations (ASEAN) Consensus on the Promotion and Protection of the Rights of Migrant Workers adopted in 2017) and create a common cooperation platform like the Greater Mekong Subregion Task Force on Labor Migration should continue and be further promoted.

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5 See Feenan and Madhany (2021); and for the UK, this can be seen in the easing of immigration policies toward specific migrant workers needed in the health service and logistics sectors. The policy trend in the US is still unclear as the country remains in the middle of pandemic as we enter the last quarter of 2021.
REFERENCES


