

Migrants and the Impact of the COVID-19 Pandemic on Remittances

Manuel Orozco, Inter-American Dialogue
March 18, 2020

This analysis offers a glimpse of the potential impact of the Coronavirus pandemic on US immigrants and family remittances.

The COVID-19 pandemic will have particular consequences for those who are financially vulnerable and have underlying health risks. Even though this pandemic tends to be more dangerous for older adults, migrants (who are typically far younger than this high-risk age-group) will likely be disproportionately affected.¹

In terms of health risks, migrants are among the cohort of the US population that lacks access to adequate health services and may be exposed to higher risks than others. Fear of deportation further complicates matters as it discourages migrants from seeking care.²

With continued business closures, diminished economic activity, and a forecasted recession, migrants, who predominantly work in the construction and services industries, may be the first ones to lose income—either by working fewer hours, days, or losing their jobs.

Moreover, past events involving worldwide crises can offer insight as to how this pandemic will likely affect remittance transfers. For instance, migrants' capacity to send money to relatives dropped by at least 10% during the 2009 financial crisis, which had an 8% increase in the unemployment rate within 18 months.

Considering migrants' financial and health vulnerabilities as well as the forecast recession, a conservative estimate shows that in 2020 remittances will decline as far as negative 3% from 2019, from US\$77 billion to US\$75 billion.

I. Migrant Financial and Health Vulnerability in the US

Physical and material conditions can have an effect on the capacity to remit in so far as a labor force depends on its good health to stay employed. US Census figures point to Latin American and Caribbean migrants as being predominantly young, 86% are between 21 and 70 years of age. Although they are younger than the average native-born American (62% are in the same age group), they are more vulnerable both financially and health wise.³ Their greater, relative financial vulnerability further exacerbates these health weaknesses.

In terms of financial vulnerability, Latin American and Caribbean migrants in the US have lower personal earnings. Thirty-five percent (35%) earn less than \$20,000 and 15% earn over \$50,000. In comparison, 34.6% of native-born Americans earn over \$50,000. Moreover, their access to healthcare is also different and may make them more vulnerable. For example, 20% of all migrants are uninsured. Among the

¹ Over 80% of migrants are under 65 years of age.

² <https://www.politico.com/story/2017/07/17/deportation-fears-under-trump-have-immigrants-forgoing-medical-care-240635>

³ Pew Research Center tabulations of 2017 American Community Survey (1% IPUMS).

unauthorized population and non-citizens, the percentage (32%) of individuals without medical insurance is even higher.⁴

In a 2013 Inter-American Dialogue (IAD) study, migrants reported that flu like symptoms, headache, fever, coughing, and allergies were the most common health conditions they experienced.⁵ However, the main problem, which is related to the lack of insurance or affordable medical costs, was that half of the migrants would self-medicate without seeking medical attention. In this pandemic, self-medication is not an option nor a solution, especially given the contagion effect and the deadly risks of this pandemic, combined with their lack of self-awareness of their health conditions as discussed later in the analysis.

TABLE 1: HEALTH ISSUES EXPERIENCED BY RESPONDENT OR IMMEDIATE FAMILY MEMBER IN PAST 12 MONTHS, 2013

Source: Orozco, 2013.

Health Condition	% Respondents
Flu like symptoms	45.5
Headache	29.7
Fever	25.8
Cough	22.8
Allergies	18.4

TABLE 2: INCOME, LEGAL STATUS, AND STEPS TAKEN TO RECOVER FROM HEALTH ISSUE, BY GENDER 2013

Source: Orozco, 2013.

			Visited a Private Clinic (%)	Visited a Doctor (through Medical Insurance) (%)	Visited a Free Clinic (through City or County) (%)	Self-Prescribed Medicine or Treatment (%)	No Steps Taken (%)
Income	Personal Income Above \$25,000 a Year	F	17.8	58.9	12.3	23.3	4.1
		M	24.7	34.8	26.4	29.8	10.7
	Personal Income Below \$25,000 a Year	F	9.2	5.8	55.4	41.8	9.2
		M	11.8	6.9	38.8	44.3	16.4
Legal Status	Undocumented	F	4.9	4.1	45.7	55.1	11.5
		M	12.6	2.8	39.1	52.1	18.0
	TPS	F	4.3	30.4	52.2	34.8	0.0
		M	9.4	40.6	31.3	31.3	12.5
	Permanent Resident	F	20.7	29.7	43.2	17.	4.5
		M	18.6	31.4	37.3	20.6	9.8
	US Citizen	F	11.5	32.8	50.8	18.0	3.3
		M	30.1	41.1	19.2	6.8	12.3

⁴ Pew Research Center tabulations of 2017 American Community Survey (1% IPUMS).

⁵ Orozco, Manuel. For a Better Life: The Social, Economic, and Political Conditions of Latin American Immigrants.

Among national origin groups, differences emerge as well. Mexicans and Hondurans are among those least likely to seek medical care at a doctor's office or a private clinic, relying on self-treatment and free services. Only 10.7% of Mexican respondents and 4.5% of Honduran respondents report going to a doctor's office, which raises concerns about their access to preventative medical care.

These conditions are important considerations in the face of the pandemic, where according to a report by Kaiser foundation 16% of adults under 60 are likely to be at risk due to a medical condition (such as heart disease, cholesterol or lung disease), against 72% of those over 60.⁶

The percent of migrants with a medical condition related to heart disease or cholesterol appears to be lower than that of native-born Americans. However, many migrants are unaware of their health conditions due to lack of testing or medical examination.⁷ Therefore, not only do they self-medicate but they are also not aware of the health hazards they are exposed to.

This situation not only highlights the need to promote greater awareness about migrant financial and health vulnerabilities during this pandemic, but it also has implications for migrants' decision and/or ability to remit to relatives in Latin American and the Caribbean. For example, many may lose their jobs or wages while sick or spend needed money to look after themselves.

Below we look at what this may mean for migrants, their families and aggregate remittance flows.

II. An Economic Recession in 2020 and Lessons from the 2009 Recession

Several expert projections point to a global and US recession that will affect economic growth and remove 3 million jobs,⁸ which would affect 510,000 migrant workers. A decline in remittance sending is one of the several consequences of this job loss.

The 2009 recession offers important lessons and clues as to the impact of this crisis on sending behavior. The severity of the recession had an effect of reducing remittance growth by 12%. This decline was largely associated with the inability of those unemployed to remit as well as a decrease in the amount sent by those employed.

A 2009 study by the IAD showed that the principal amount sent dropped 5% compared to 2008 and the frequency of sending dropped 20%. Among those unemployed, the percent of people that continued remitting in the first six months of losing their jobs dropped to 25% from 40%.⁹

The effects of the recession resulting from the pandemic will deal a blow to employment as well as remittance sending.

⁶ <https://www.kff.org/global-health-policy/issue-brief/how-many-adults-are-at-risk-of-serious-illness-if-infected-with-coronavirus/>

⁷ <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3939795/>

⁸ Bivens, Josh, "Coronavirus shock will likely claim 3 million jobs by summer," <https://www.epi.org/blog/coronavirus-shock-will-likely-claim-3-million-jobs-by-summer/>.

⁹ Orozco, Manuel. *Understanding the continuing effect of the economic crisis on remittances to Latin America and the Caribbean*, Washington, DC, IADB, 2009.

III. An Impact Estimate on Remittances from the Pandemic

All the issues mentioned above may affect the decision to remit to relatives in Latin America. It is also possible that with increasing material needs among families, and recessionary conditions in the home country may feel compel migrants to rely on their savings to send money. Here we offer a preliminary exploration of a drop in remittances using existing data with lessons learned and assumptions from the 2009 crisis.

The assumptions explored take into consideration experts' current predictions of this upcoming recession as being less severe than the 2009 recession.¹⁰ It does not consider the effect of those directly afflicted by the virus.

As we discussed above, migrants face a set of health and financial vulnerabilities that put them at risk of job or wage loss if they get sick or have to care for a sick relative, which could further exacerbate the foreseen drop in remittances.

Assumptions:

- About 5% of the Latin American and Caribbean migrant labor force will lose their jobs (17% of the 3 million workers in the US who will lose their jobs, which totals 510,000 workers);
- Among the unemployed: only 10% will use their savings to send money back home (in 2009 it was 25%);
- Thirty-five percent (35%) of those with jobs but still affected by the recession by a two-month temporary loss of work will send 5% less. This is a less drastic situation than what occurred in 2009; 45% of those in this same category sent 10% less.
- Sixty-five percent (65%) among those with jobs who are somewhat affected by the recession¹¹ will continue to send as they would prior to the pandemic.

In turn these estimates point to at least a negative 3% decline in remittances, with Mexico and Central America receiving families being most affected, from US\$77 to \$75 billion. The estimate is rather conservative and does not take into consideration factors such as needs in the country of origin, severity of the crisis past July 2020, nor people directly affected by the pandemic.

¹⁰ <https://www.cnn.com/2020/03/09/economy/global-recession-coronavirus/index.html>

¹¹ Working less hours or days during an extended period.

TABLE 3. ESTIMATES OF REMITTANCES FROM THE US IN 2020

Source: Author's own with ACS 2017 data, remittance company data, IAD survey data.

Age group	Ages 16-60	Over 60	Total
Population (volume)	19,139,450	3,377,550	22,517,000
Population (%)	82%	12%	94%
At Risk from Pandemic (%)	15%	70%	
Expected Job loss	505,750	89,250	595,000
Unemployment rate (%)	2%	2%	5%
Health Condition	Fair (40% or less have had the flu or other chronic problem)		
Migrant remitters in 2020 (excluding the unemployed)	15,213,191	2,684,681	17,897,872.00
Average remitted (US\$)	4270	4270	4270
Remittances sent in 2019	\$65,380,361,200	\$11,537,710,800	\$76,918,072,000
Remittance behavior (% unemployed who would stop remitting)	364,140	64,260	428,400.00
Among those unemployed who would try to send remittances	\$155,487,780	\$27,439,020	\$182,926,800
Remittance behavior (others, 35% of people would send 5% less)	5,058,386	892,656	\$5,951,042
Amount among those sending less	\$20,519,343,109	\$3,621,060,549	\$24,140,403,658
Amount among all others	\$42,497,234,780	\$8,076,397,560	\$50,573,632,340
Total 2020	\$63,172,065,669	\$11,724,897,129	\$74,896,962,798

Given that remittances are among the top spending priorities for migrants and are a key economic input for recipients, the negative 3 growth in remittances provides insight on the hardships to be faced by migrants, recipients, and countries in which remittances form a large portion of their GDPs.

Following the 2009 crisis, migrants changed their behavior by restricting expenditures and tapping into their savings. Migrants with higher incomes (\$20,000 and above) limited their expenditures while looking for a second job or another job was the coping strategy for those earning less. Recipients, on the other hand, received less, and also had a decreased capacity to consume and invest. Furthermore, countries where remittances represented a large portion of their respective GDPs saw a significant drop in remittances which affects a country's stock of foreign exchange.¹²

The current and future unemployment increases resulting from this pandemic will put pressure on migrants in their attempts to continue remitting and helping their families in their country of origin. Recipients of remittances will struggle as their household income is affected by a decline in remittances combined with the economic situations in their own countries. The vulnerabilities of migrants both in their destination countries as well as the vulnerabilities of remittance recipients will be highlighted during this recession and will put pressure on their respective countries' social nets.

¹² Orozco, Manuel. *Understanding the continuing effect of the economic crisis on remittances to Latin America and the Caribbean*, Washington, DC, IADB, 2009.