



# Effect of COVID-19 Pandemic on OFW Deployment and Remittances



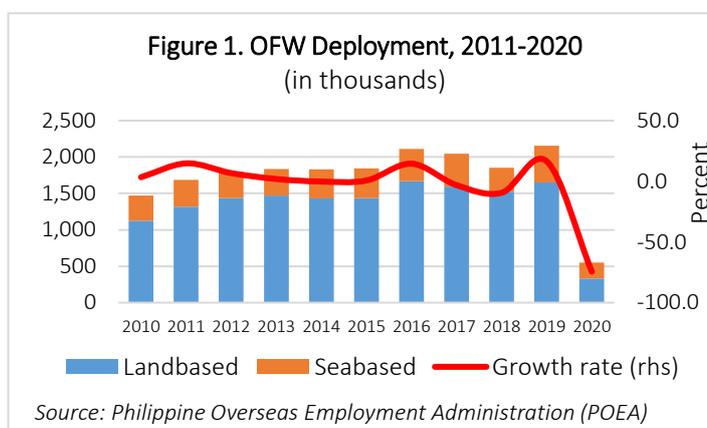
## At A Glance

April 2021

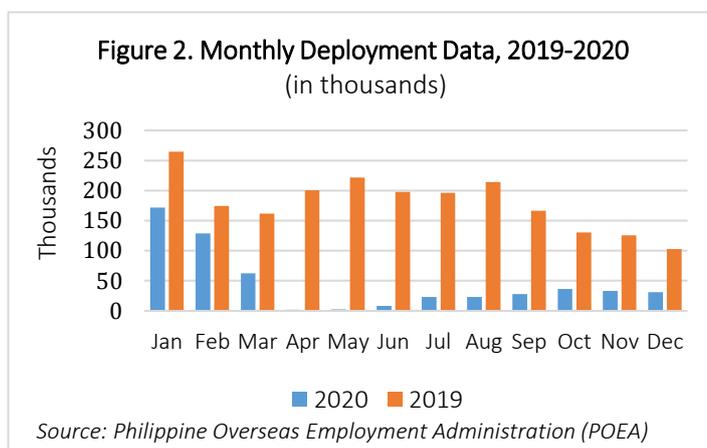
AAG-21-01

*The Coronavirus Disease 2019 (COVID-19) pandemic slowed down global economic activity at an unprecedented scale and migrant workers and their families are among the hardest hit. Thousands of overseas Filipino workers (OFWs) lost their jobs and returned home. This consequently contributed to the increase in the country's unemployment rate and restrained the inflow of remittances. As the health crisis rages on, OFWs continue to face uncertainty over their employment prospects.*

**OFW Deployment.** Total OFW deployment dropped from 2.2 million in 2019 to 549,800 in 2020, contracting by 74.5 percent. This was a considerable departure from the average annual deployment growth rate of 4.6 percent (equivalent to some 1.9 million workers) from 2010 to 2019. Of the total deployment in 2020, land-based workers accounted for 78.6 percent while 39.5 percent were sea-based. New hires numbered to around 100,300.



The decrease in the number of deployed workers was mainly attributed to the travel restrictions imposed to address the rising transmission rate of COVID-19. Immediately after the World Health Organization's (WHO) declaration of a pandemic,<sup>1</sup> the Philippine government suspended land, domestic air and sea travels. It also issued a ban, specifically on the deployment of healthcare workers, to beef up the number of medical professionals in the country. The



government placed a deployment cap of 5,000 healthcare workers (per annum), much lower than the annual average of 16,651 nurses deployed from 2016 to 2019. This has since been lifted last December 2020.<sup>2</sup> While the easing of lockdowns in some countries allowed for a slight recovery of deployment, the figures remained subdued. As of March 10, 2021, about 99 nations permitted entry of OFWs to their countries, subject to flight availability, visa regulations and medical protocols. Some 104 countries still restrict the entry of Filipinos, 77 of which provide exceptions to individuals with employment contract.

<sup>1</sup> Inter-Agency Task Force on Emerging Infectious Diseases (IATF-EID) Resolution No. 11, Series of 2020–Recommendations for the Management of COVID-19 Situation.

<sup>2</sup> POEA Governing Board Resolution No. 17, Series of 2020–Lifting the Moratorium on the Deployment of Healthcare Workers.

**COVID-19 Cases among Overseas Filipinos.** As of April 11, 2021, the Philippine Overseas Labor Office (POLO) recorded a total of 17,721 confirmed cases of infection among Filipino workers abroad (Table 1). More than half have already recovered, while 6,560 (37 percent) are still recuperating, and 943 have succumbed to the virus.

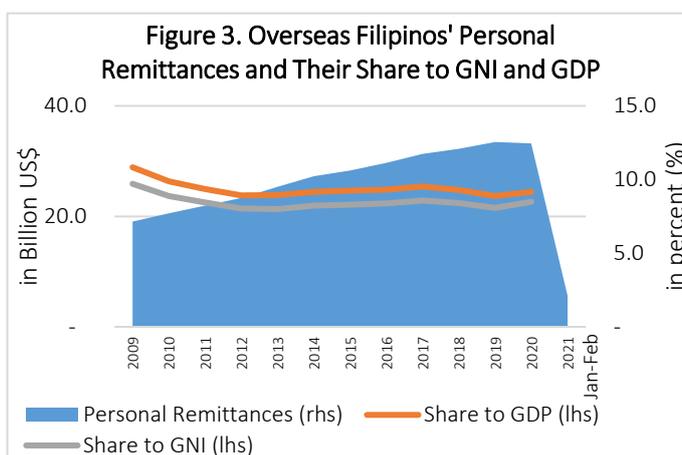
| Number of OFWs       |        |
|----------------------|--------|
| Infected             | 17,721 |
| Recoveries           | 10,218 |
| Undergoing Treatment | 6,560  |
| Deaths               | 943    |

Source: DOLE-POLO

**OFW Displacement.** As of April 11, 2021, there were about 639,000 displaced OFWs (Table 2). The Department of Labor and Employment (DOLE)<sup>3</sup> earlier estimated that OFW displacement may reach 600,000 by December 2020 and over one million by December 2021, underscoring how migrant populations struggle with indefinite furloughs and job losses. Of the total affected OFWs, 80 percent have already returned to the Philippines while about 49,700 are still awaiting repatriation. About 78,500 (12.3 percent) of displaced OFWs opted to stay abroad and brave the uncertainties, pinning their hopes on the rollout of the COVID-19 vaccines and the eventual improvement of the economies of their host countries. Meanwhile, repatriated OFWs together with locally displaced workers accounted for the Philippines' 4.5 million unemployed in 2020.

| Number of OFWs                           |         |
|--|---------|
| Repatriated to hometowns                 | 511,452 |
| OFWs for repatriation                    | 49,727  |
| Displaced OFWs who opted to stay on-site | 78,519  |
| Total                                    | 639,698 |

Source: DOLE-POLO



Source: Bangko Sentral ng Pilipinas (BSP), Philippine Statistics Authority (PSA)

**Remittances.** OFW remittances have been a major driver of household consumption spending, accounting for an annual average of 9.3 percent of the country's gross domestic product (GDP) from 2010 to 2019. Remittances are known to be countercyclical. That is, OFWs tend to send more money to their families at home during economic downturns or in times of crisis. Indeed, while both cash and personal remittances dropped by 0.8 percent in 2020, the decline was much smaller than what was initially forecasted by the World Bank (5 percent) and the Bangko Sentral ng Pilipinas (2 percent).<sup>4</sup> Cash remittances fell from US\$30.1 billion in 2019 to US\$29.9 billion in 2020 while personal remittances decreased from US\$33.5 billion in 2019 to US\$33.2 billion in 2020. The slight improvement in deployment numbers during the second half of last year prevented remittance inflows from falling any further. The better-than-expected outcome in remittances may also be attributed to the shift from informal to formal remittance channels due to mobility restrictions and border closures.<sup>5</sup>

<sup>3</sup> As reported by DOLE International Affairs Bureau Director Alice Visperas during the hearing of the House Committee on Overseas Workers' Affairs (May 29, 2020).

<sup>4</sup> The BSP revised its earlier forecast of 5 percent contraction to a smaller 2 percent contraction owing to the better-than-expected performance in June and July.

<sup>5</sup> Yong, E.C.C. and Anne Oeking, A. (2020, December 2). Coming Home: Are Remittances in the ASEAN+3 Another Victim of the Pandemic?, ASEAN+3 Macroeconomic Research Office.

Repatriations may have likewise spurred a flurry of remittance activity as OFWs sent their savings in advance.<sup>6</sup> Remittances accounted for 9.2 percent of GDP in 2020. This supports the notion that remittance inflows are driven by both altruistic and strategic motivations, and highlights the important contribution of remittances to the Philippine economy. For 2021, the BSP expects remittances to grow by 4 percent. It has already reached US\$5.65 billion in the first two months (January and February 2021), up by 1.6 percent from a year earlier.

|               | Country                  | 2019     | 2020     | Growth rate (%) |
|---------------|--------------------------|----------|----------|-----------------|
| 1             | United States of America | 11,318.3 | 11,936.4 | 5.5             |
| 2             | Singapore                | 1,906.5  | 2,148.4  | 12.7            |
| 3             | Saudi Arabia             | 2,098.3  | 1,811.5  | -13.7           |
| 4             | Japan                    | 1,795.4  | 1,576.6  | -12.2           |
| 5             | United Kingdom           | 1,567.0  | 1,371.2  | -12.5           |
| 6             | United Arab Emirates     | 1,592.5  | 1,287.3  | -19.2           |
| 7             | Canada                   | 1,015.8  | 1,028.9  | 1.3             |
| 8             | Hong Kong                | 801.7    | 821.2    | 2.4             |
| 9             | Qatar                    | 758.1    | 820.4    | 8.2             |
| 10            | South Korea              | 683.2    | 707.6    | 3.6             |
| Top 10        |                          | 23,536.8 | 23,509.4 | -0.1            |
| All Countries |                          | 30,133.3 | 29,903.3 | -0.8            |

Source: BSP

**Overseas Filipinos' Remittances by Source.** The top ten contributors of cash remittances are the USA, Singapore, Saudi Arabia, Japan, United Kingdom, United Arab Emirates, Canada, Hong Kong, Qatar and South Korea (Table 3). Remittances from these countries account for a little more than 75 percent of the total cash remittances being sent to the Philippines. The USA remains the top country source of remittances<sup>7</sup> contributing about 40 percent (around US\$12 billion). However, compared to the pre-pandemic period, remittances from these countries declined by 0.1 percent, dragged by contractions in Saudi Arabia, Japan, United Kingdom and United Arab Emirates.

**Government Assistance to OFWs.** The two Bayanihan laws under Republic Act Nos. 11469 and 11494 provided for various assistance, including cash, free COVID-19 testing, accommodation, food and transportation to OFWs affected by the pandemic. Based on DOLE data, as of April 11, 2021, more than half a million OFWs have benefited from the *Abot*

| Particulars | Bayanihan I   |                  | Bayanihan II  |                  |
|-------------|---------------|------------------|---------------|------------------|
|             | Beneficiaries | Total Cost       | Beneficiaries | Total Cost       |
|             |               | (in million PhP) |               | (in million PhP) |
| Onsite OFWs | 154,700       | 1,608.00         | 28,070        | 291.90           |
| Local       | 189,043       | 1,890.00         | 130,320       | 1,303.00         |
| Total       | 343,743       | 3,499.00         | 158,390       | 1,594.90         |

Source: DOLE

*Kamay ang Pagtulong* (AKAP) Program, which is a one-time financial assistance worth PhP10,000 or US\$200 given to OFWs displaced by the COVID-19 pandemic (Table 4).

<sup>6</sup> Caron, L. and Tiongson, E. (2020, October 22). Immigrants are Still Sending Lots of Money Home Despite the Coronavirus Job Losses—For Now. *The Conversation*. Retrieved from: <https://theconversation.com/immigrants-are-still-sending-lots-of-money-home-despite-the-coronavirus-job-losses-for-now-148387>.

<sup>7</sup> There are some limitations on the remittance data by source. A common practice of remittance centers in various cities abroad is to course remittances through correspondent banks, most of which are located in the USA. Also, remittances coursed through money couriers cannot be disaggregated by actual country source and are lodged under the country where the main offices are located, which, in many cases, are in the USA. Therefore, the USA would appear to be the main source of overseas Filipinos' remittances because banks attribute the origin of funds to the most immediate source.

In addition, almost a million returning OFWs were tested for COVID-19 thru Reverse Transcription Polymerase Chain Reaction (RT-PCR) tests upon arrival in the country and were provided with food and hotel accommodation (Table 5). After being cleared of COVID-19, around 580,100 were then sent back to their hometowns through the *Balik Probinsya, Bagong Pag-asa* Program. To facilitate their reintegration and recovery, the Technical Education and Skills Development Authority (TESDA) offers scholarship, upskilling and reskilling programs to OFWs. From 2020 until February 2021, about 112,200 OFWs and their dependents have enrolled in the TESDA Online Program (TOP)<sup>8</sup> while about 13,300 returning OFWs applied for TESDA's *Abot Lahat ang* OFWs Scholarship Program.

|   | Number of Overseas Filipinos |
|---|------------------------------|
| RT-PCR<br>(9 May 2020 - 31 Jan. 2021)               | 810,139                      |
| Swabbing Operations<br>(1 Feb. 2021 - 14 Apr. 2021) | 182,635                      |
| Total   | 992,774                      |

Source: National Task Force Against COVID-19

**Moving Forward.** The COVID-19 pandemic has brought unprecedented challenges which is why the initial stages of implementation of various government programs to aid OFWs have been hounded by issues and constraints. Some of the issues identified by Filipino migrant workers surveyed by the Global Migration Lab include the lack of accurate and up-to-date information on COVID-19 prevention measures, support services and financial assistance which served as a barrier to OFWs in availing of such services. The inconsistent interpretation and implementation of national guidelines as well as poor coordination among national government agencies and between central and local government units also led to confusion in securing travel documents and permits and resulted in stranded OFWs. The overcrowding in holding centers (e.g., airports, stadiums and border points) also placed OFWs at higher risk of contracting the virus.<sup>9</sup> While marked improvement has been observed, roughly 50,000 OFWs abroad are still stranded and awaiting repatriation. Also, the DOLE is reportedly nearing the completion of its cash aid program while the Overseas Workers Welfare Administration's (OWWA) budget for hotel accommodation, testing and quarantine of OFWs is slowly depleting. As the pandemic will likely to continue for the foreseeable future, additional budget for government programs to aid OFWs may be necessary.

The pending bills in Congress that would help alleviate the situation of OFWs and workers in general, also merit immediate attention. The proposal to institutionalize a national unemployment insurance program (Senate Bill No. 1847 and House Bill No. 7028) to better protect Filipino workers from the risks of income loss due to involuntary separation from work should be urgently considered especially in light of the National Economic and Development Authority's (NEDA) forecast that joblessness will likely remain elevated in the coming years. Meanwhile, the pros and cons of creating a department for OFWs to eliminate redundancy of several agencies catering to OFWs' welfare and protection (SBNs 92, 141, 202, 407, 461, 593, 997, 1323, 1835, 1848, 1949, 2110 and HBN 5832) should also be carefully studied. Furthermore, the proposed OFWs' Remittance Protection Act (SBNs 438, 683, 1363 and HBN 7951) seeks to mandate the disclosure of finance charges and other fees in connection with overseas Filipino money transfer. This is in recognition of the OFWs' valuable contribution to the economy and to ensure the protection of their hard-earned income.

<sup>8</sup> The TOP is a Massive Open Online Course (MOOC) platform, which aims to make technical education more accessible through the use of internet technology.

<sup>9</sup> Hoagland, N. and Randrianarisoa, A. (2021). Locked Down and Left Out. Red Cross Red Crescent Global Migration Lab, Australia. Retrieved from: <https://www.redcross.org.au/getmedia/3c066b6d-a71f-46b8-af16-2342ff304291/EN-RCRC-Global-Migration-Lab-Locked-down-left-out-COVID19.pdf.aspx>.