



POLICY BRIEF

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Possible Economic Impacts of Falling Oil Prices, the Pandemic, and the Looming Global Recession onto Overseas Filipinos and their Remittances

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The COVID-19 pandemic may well be the most challenging crisis facing the migration management system of the Philippines. The global dispersion of overseas Filipinos (estimated to be at least 10.3 million, in over-200 countries and territories) meets up with the global spread of the viral disease. Both the countries receiving overseas migrants and migrant-origin countries like the Philippines are now trying to survive, unleashing stimulus packages or rescue funds to meet the needs of their citizens.

Remittance flows from abroad are literally a major economic lifeline. This lifeline will then backstop whatever public funds the Philippine government is now unloading to meet urgent survival and social protection needs of Filipinos. The scale of Filipino households who continually receive foreign remittances? Around 12 percent of all Filipino households “have or had an OFW [overseas Filipino worker] member,” says the 2018 National Migration Survey (NMS).

With much of the global economy in a lockdown, many OFWs are unable to report for work and, at the same time, are unable to send money back home more frequently. In addition, declining oil prices in the past few weeks are a corollary challenge, threatening the stability of OFWs in the Middle East.

OFWs sent about US\$ 30.13 billion in cash remittances in 2019, higher than the US\$ 28.94 billion sent in 2018. The 2018 Survey on Overseas Filipinos³ (SOF) says there are about 2.3 million Filipino migrant workers. Meanwhile, stock estimates on overseas Filipinos (latest: 2013) disaggregates Filipinos overseas as follows: 4.2 million as temporary migrants (migrant workers), 4.8 million as permanent migrants, and 1.2 million as irregular migrants.

During the 2008-09 global financial crisis, the presence of OFWs in many parts of the world has spread the risk of slow levels of total remittance inflows to the Philippines. However, COVID-19’s spread has now reached literally the entire planet. As of April 2, over-940,000 people have been infected with COVID-19 (including some Filipino migrant workers, permanent residents and naturalized citizens).

Also, during the 2008-2009 crisis, oil prices did not go down to its present level —about US\$ 22 per barrel.

The impacts of the 2008-2009 crisis on OFWs were not as severe as initially anticipated. Many OFWs remained in their working countries, adjusting their statuses there by deskilling (e.g. an engineer laid off, continued to work as an electrician) and by coping and riding through the short-term impacts of that crisis. Workers were still physically mobile at that time.

In the current scenario, many countries are on lockdown and all the oil producers in the Middle East (where nearly half of our OFWs are based) are at risk with falling oil prices. If this price trend continues, the Middle East might be forced to stop oil production and possibly lay off many workers —including Filipinos.

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³ Since the SOF is just a rider to the October round of the quarterly Labor Force Survey (LFS), we are just taking samples of the bigger universe of overseas Filipino workers (OFWs).

With the combined impacts of the global economic stoppage, lockdowns and declining oil prices, base-to-worst case scenarios could lead to:

- a) Cash remittances *potentially declining from US\$ 30 billion in 2019 to US\$ 27 billion (base case) to US\$24 billion (worst case)*. That is roughly 10-to-20% or US\$3 to US\$6 billion less, year on year —this to become steepest drop of remittance inflows in Philippine migration history; and
- b) About 300,00 to 400,00 OFWs being affected by lay-offs and pay cuts, not to mention that some of them may need to be repatriated.

Note also that in 2019, at least 121 countries and territories where Filipinos are sent lesser remittance amounts than in 2018. The total lesser remittance amounts from these 121 jurisdictions was US\$ 1.36 billion.

These base-to-worst case scenarios are significant numbers hitting the economy externally and then internally. With overseas Filipinos' remittances fueling national consumption, we can lose 20 to 40% of consumption due to the pass-through effect of remittances.

Some things that can be done now:

- Labor and foreign officials may have to start monitoring and informing the public how many overseas Filipinos will be displaced from their jobs —similar to efforts done during the 2008-2009 global economic crisis.
- Embassies and consulates have to anticipate and monitor expected job displacements affecting Filipinos. Diplomatic officials should also be given leeway to negotiate with ministries of labor possible steps to keep foreign workers and, to the extent possible, include them in their countries' social protection programs.
- Globally-mapped information on these arrangements must be tracked. That way, these resources from host countries will give overseas Filipinos and their families some wherewithal *apart* from what migration and non-migration government agencies back home will be giving (e.g. social amelioration program funds under the Bayanihan to Heal as One Act). Resources coming from host countries will buy relevant Philippine government agencies (e.g. Overseas Workers Welfare Administration [OWWA], Social Security System [SSS], Philippine Health Insurance Corp. [PhilHealth]) some time.
- Labor and foreign officials may have to initiate dialogues with the International Labor Organization (ILO) and the International Organization for Migration (IOM) on how to assist distressed migrant workers affected by the pandemic.
- OWWA may have to offer Metro Manila-based temporary shelters as 14-day quarantine facilities for displaced returning OFWs.
- Since PhilHealth will be covering hospitalization expenses of COVID-19 cases, this should also apply to COVID-19-infected returning overseas workers through PhilHealth's Overseas Workers Program (OWP).
- The SSS and its OFW membership program should allow OFW members to avail of the benefits of membership at this critical juncture.
- Prior to going overseas, OFWs are compelled to pay accredited private insurance companies insurance premiums so as to cover repatriation expenses. This arrangement must now be activated by the private insurance companies concerned.

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