

# Prizewinning Dissertation 2021

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International Remittances and the COVID-19  
Pandemic: Investigating Resilient Remittance  
Flows from Italy during 2020

## Abstract

Defying the predictions of the World Bank, international remittances flows have proven resilient amid the COVID-19 pandemic. Recent literature has pinpointed several factors that help explain this pattern. Focusing on Italy as a case study, this work relies on semi-structured in-depth interviews to investigate migrants' experiences with sending steady flows home during 2020. It finds that respondents faced a higher demand for remittances from their families abroad due to COVID-19, while their ability to send money



**List of Abbreviations**

CIG	Cassa Integrazione Guadagni
OECD	Organization for Economic Cooperation and Development
IMF	International Monetary Fund
LMICs	Low- and Middle-Income Countries
MTO	Money Transfer Operator
REM	Reddito di Emergenza
RSP	Remittance Service Providers
UN	United Nations
WB	World Bank

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## **Acknowledgments**

I would like to express my gratitude to the migrants who eagerly shared their time and stories building this study. Meeting them was an enriching human and research experience.

## **1. Introduction**

International remittances play a role of utmost importance in the global development agenda. Defined as financial or in-kind transfers made by migrants to relatives and friends in their country of origin, remittances represent a lifeline for many families (Ratha, 2017). Research on the micro-level impact of remittances has shown that, in the presence of poorly functioning credit markets, remittances represent a form of informal insurance against several types of shocks (Lucas & Stark, 1985; Rapoport & Docquier, 2006), including income and health shocks (Gubert, 2002; Beuermann et al., 2016). Other scholars highlight the role of remittances in strengthening local human development

migrants' steadily sending money home amid the COVID-19 pandemic, including the motivations to ensure stable fluxes, their related challenges and coping strategies. The present study seeks to fill this gap with a regard to the context of Italy in 2020.

Italy represents an interesting setting to study remittance resilience, given its migration and remittances trajectories, and economic outlook during the pandemic. Italy hosts the fifth largest population of foreign citizenship in Europe (Eurostat, 2021), and ranks among the largest host countries in terms of immigrant stocks (UN DESA, 2019). Although its economy was deeply hit by the crisis generated by COVID-19 and no relevant increase in regular foreigners was recorded (ISMU, 2021), remittance outflows from Italy in 2020 have proven much resilient than other countries with comparatively large migrant populations, recording a net increase between 2019 and 2020 and a positive increase in every quarter (Bank of Italy, 2021). Using a qualitative methodology, this study conducts semi-

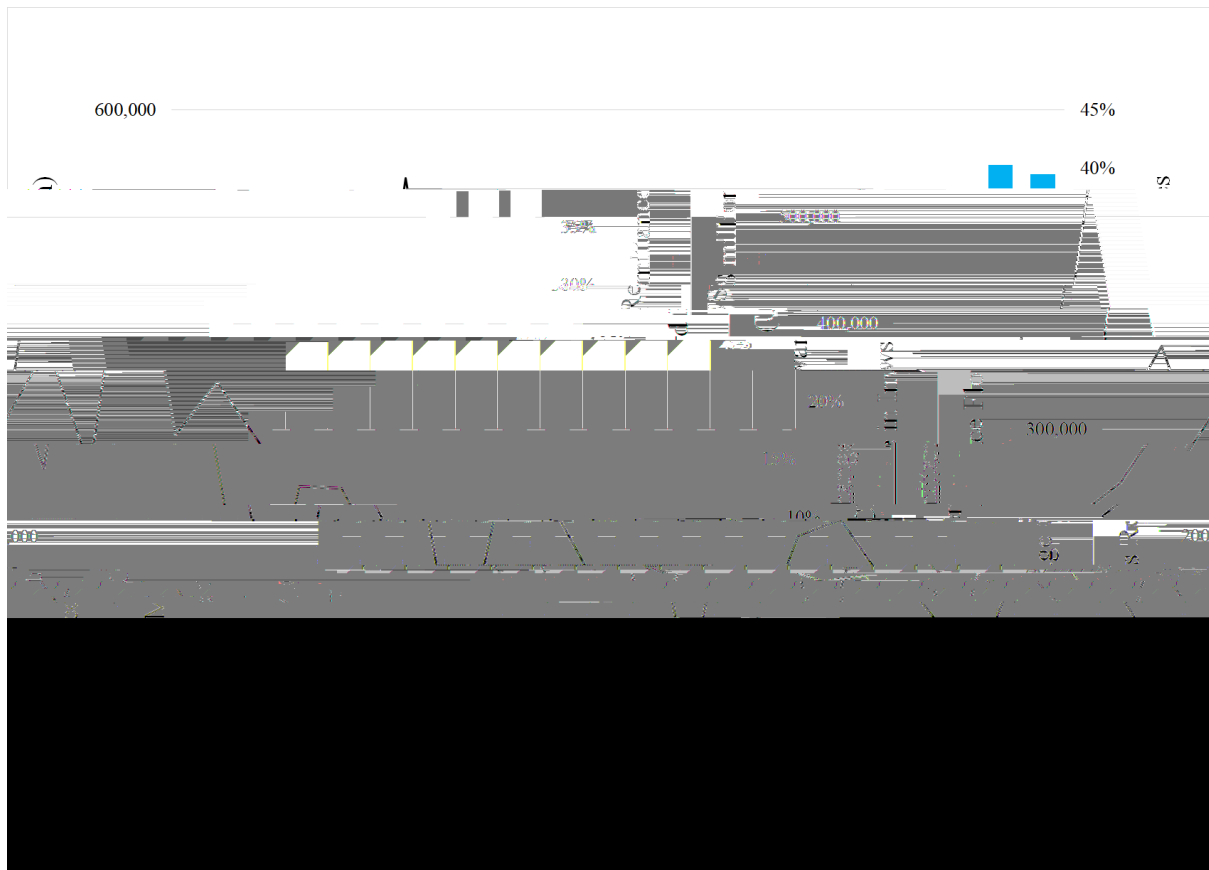
information on the Italian case study, examining the Province of Pistoia where the analysis took place. Section 4 describes the methodology. Section 5 presents the findings of the interview and discusses them in light of the theoretical contributions. Section 6 concludes.

## **2. Literature Review**

### **2.1 Resilient remittances during 2020: setting and evidence**

In April 2020, the WB provided a first estimation of the impact of COVID-19 on international remittance flows. Based on data from the Balance of Payment statistics of the International Monetary Fund (IMF), Ratha et al. (2020) estimated a decline of remittance flows to LMICs from \$554 billion in 2019 to \$445 billion in 2020, representing a reduction of 19.7 percent. Three main reasons were initially flagged to justify this trend. First, the decline was believed





By disaggregating the data at the regional level, interesting between-region variations can be highlighted. Remittance inflows rose in Latin America and the Caribbean (6.5%), South Asia (5.2%), Middle East and North Africa (2.3%). Conversely, remittances towards Sub-Saharan Africa fell by 12.5 percentage points. A fall in remittances was also observed in East Asia and the Pacific (-7.95) and Europe and Central Asia (-9.7%). Such variation is expected to mirror great heterogeneity in the pandemic's impact on migrants' countries of origin, and differences in preferred migration destinations.

*Table 1 Remittance Inflows by Year and Region.* Own elaboration based on WB (2021b).

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As countercyclicality only partly accounts for the complex nature of remittances during crises, a discussion on the micro-level determinants of remittances is required. Following Rapoport and Docquier (2006), remittances are generally driven by altruistic motivations, indicating migrants' concern over the income and consumption levels of those left behind, including their wives, children, parents and members of wider familial and social circles. In this regard, Stark (2009) shows that altruistic migrants base their remitting decision on the income of their family members. This implies that the amount sent by migrants will increase when receiving households experience a situation of greater financial hardship caused by a negative income shock (Chami et al., 2005), and surges in remittances are thus justified through the combination of altruistic and insurance rationales (Tullao & Cabuay; 2016). Empirical evidence confirming the insurance hypothesis is provided by Yang and Choi (2007), claiming that reductions in income caused by exogenous

actions to support households and firms (IMF, 2021b), through which high-income OECD countries mobilised twice as much funding after six months of crisis as they did during the Global Financial Crisis of 2008 (UNCTAD, 2020). Such countercyclical policies softened



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Figure 2 Foreign Population Resident in European Countries. Own elaboration based on OECD (2021a).

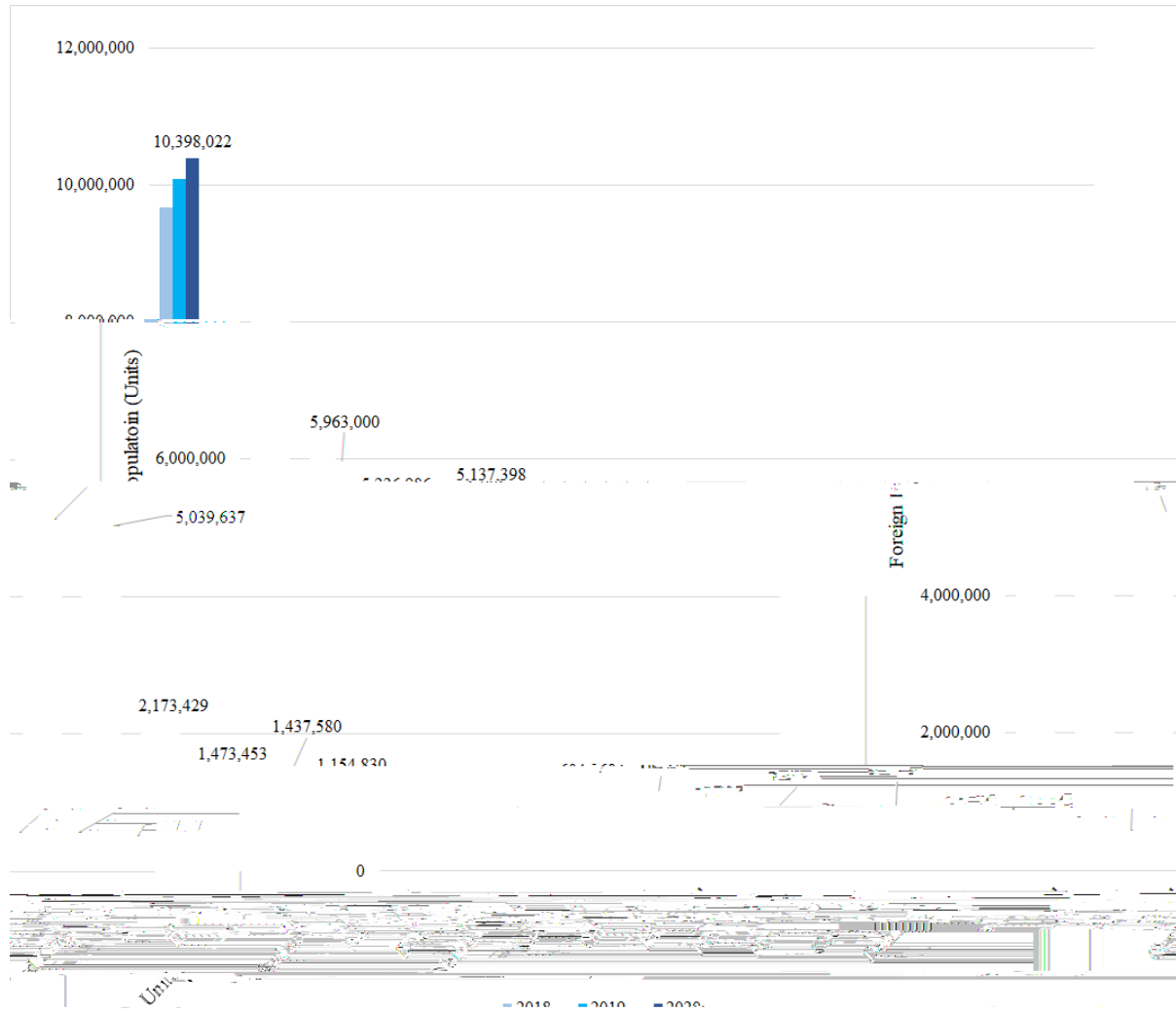
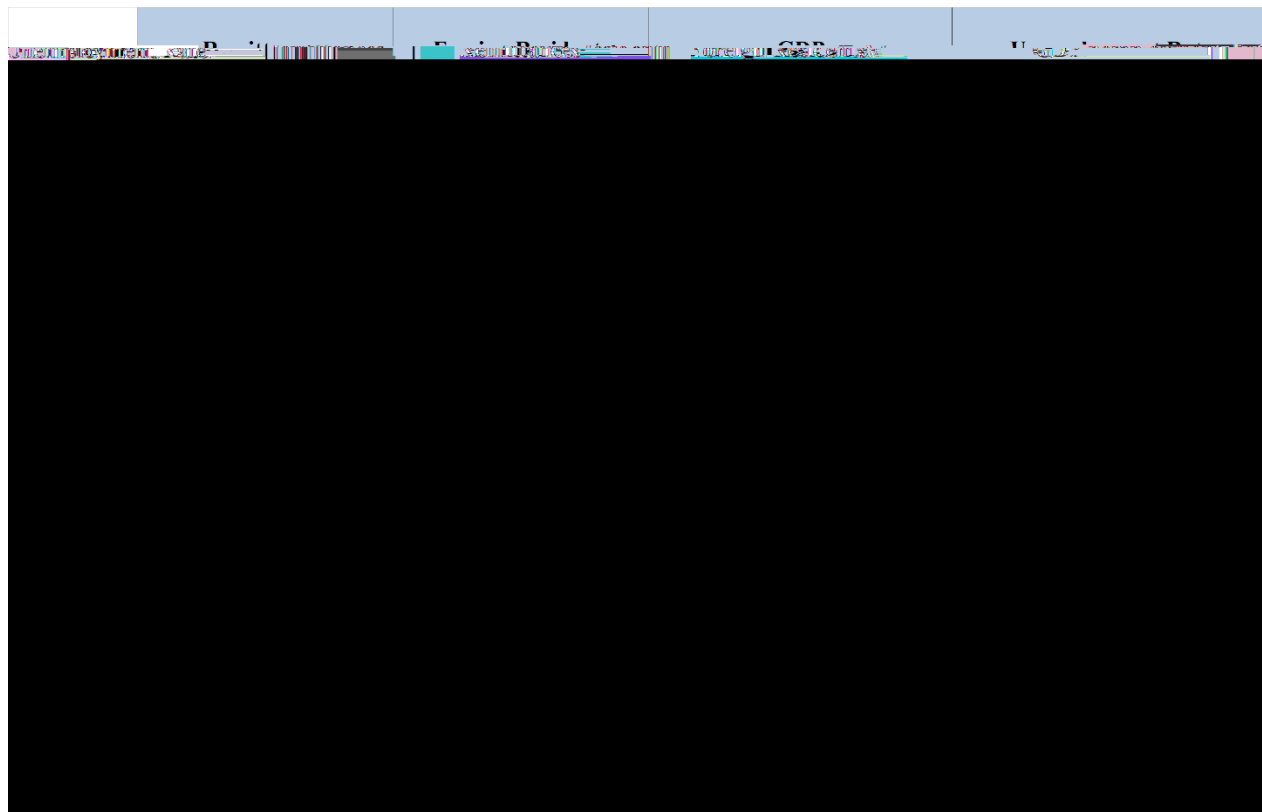


Figure 3 Quarterly GDP at Constant Prices, Comparison Between European Countries. Own elaboration based on OECD (2021b).

Third, data published by the Bank of Italy (2021) show an unexpected positive trend





### **3.2 Government support, migrant employment and RSPs accessibility**

To better conceptualise the resilience of remittance flows during 2020, it is worth providing an overview of the factors that might have played a role in sustaining international transactions, namely government interventions supporting migrants' incomes and the accessibility of money transfer services throughout the pandemic. Starting from April 2020, the Italian National Social Security Institute (INPS) has taken measures in support of (i) employees, through a wage guarantee fund (Cassa Integrazione Gaudagni, or CIG); and (ii) self-employed and professionals, through a set of income support bonuses introduced in the "Cura Italia" Decree of March 16<sup>th</sup>. As per law, these transactions were opened to foreigners as well (OECD, 2020a). Additionally, the "Cura Italia" Decree halted dismissals for five months starting in March. Concerning family assistance, the government devised an emergency income (Reddito di Emergenza, or REM) benefitting households in economic difficulties depending on the size of the family. With regard to enterprises, three Decree Laws defined additional granted funds paid by the Italian Revenue Agency between June-July and November-December (Venditti & Salvati, 2021).

In Italy, regular residents and non-residents were entitled to the same measures to guarantee employment and salary support to Italian workers (ISMU, 2021). Moreover, while it is often



and 2019 previously mentioned, remittance flows from the Province of Pistoia increased by 50% during the same period. Table 3, sorting remittances outflows by quantity and receiving country, shows that Romania and Nigeria were the countries receiving the greatest amounts in 2020, followed by Albania and Pakistan. The percentage variation between 2020 and 2019 was positive for the great majority of the groups indicated.

Table 3 Remittance Outflows from the Province of Pistoia. Own elaboration based on Bank of Italy (2021).

Receiving Country	2018	2019	2020	Percentage Variation between 2020 and 2019
Romania	5.08	3.40	4.63	35.5%
Nigeria	0.60	1.20	1.60	166.7%
Albania	1.77	1.70	2.20	29.4%
Pakistan	0.82	1.61	2.26	41.1%
Mexico	1.50	1.00	0.80	-33.3%
India	1.20	1.75	1.00	-17.6%
Georgia	1.00	0.38	0.47	23.7%
Spain	0.55	0.60	0.50	-10.0%
Turkey	0.34	0.55	0.46	-16.1%
Brazil	0.50	0.40	0.57	42.5%
Peru	0.10	0.34	0.27	-19.4%
Russia	0.05	0.05	0.05	0%
Côte-d'Ivoire	0.05	0.05	0.05	0%
The Gambia	0.05	0.05	0.05	0%
Colombia	0.05	0.05	0.05	0%
Mali	0.05	0.05	0.05	0%
Bangladesh	0.05	0.05	0.05	0%
Other Receiving Countries	3.33	3.27	3.48	6.3%
Total Remittance	24.00	26.00	28.00	8.5%

#### 4. Methodology

As shown in the Literature Review section, recent investigations on resilient remittances during 2020 have relied mostly on quantitative methodology, including regression analysis and survey

analysis. While this approach is helpful to pinpoint relationships between different macro-level and micro-level variables shaping remittance flows, it fails to capture the experiences of migrants sending money home during the COVID-19 crisis, and the strategies implemented to cope with it. Instead, this dissertation utilises qualitative methodology to explore migrants' lived experiences within the Italian context. Moving from migrants' perspectives backward to the factors that allowed for stable flows, this work delves into the causes of effects (Mahoney & Goertz, 2006).

The data collection took place between July and August 2021. It entailed conducting in-depth, semi-structured interviews with a comprehensive sample of foreign workers with legal status to live and work in Italy, including European and Extra-European respondents from 6 countries of origin. The interviewees live and work in the Province of Pistoia (Tuscany), which was chosen for a reason of feasibility, as it constitutes my Province of Residence. Interviews were held in-person (except one, held by telephone) taking the precautionary measures required by the ongoing pandemic, namely wearing masks in closed spaces and keeping social distancing in outside venues. The discussions were conducted in Italian or English, depending on the preferences of the interviewees.

The 'interviewees' selection process relied on a combination of purposive and "snowball" sampling. First, respondents were selected based on their relevance for the matter researched (Mason, 2002). To provide an informative contribution, having experience with sending remittances before and after the COVID-19 outbreak and being present in Italy during 2020 were set as key inclusion criteria. This all the

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At the beginning of each interview, an information sheet was provided to the respondents and read with them. Participants' identity was fully anonymised and conditions of confidentiality protected their data. Written consent was asked for every interview except one, for which verbal consent was asked.

Although this approach allows for the collection of more rich and detailed data about personal experiences amid the COVID-19 pandemic, it has several limitations. First, generalisable findings cannot be claimed. The research shows instead that everyone's personal experience is shaped by multiple factors affecting the respondents, their families in their countries of origin and the modes of remitting. Another limitation of this strategy relates to the sample identification: those who declared themselves available to interview might be inherently different from others rejecting my mediating agents' request to join the study. Reliance on mainly formal remittance channels and their legal status might place their experience in stark contrast with those of migrants of unclear status. Notwithstanding, this research is highly informative to generate new insights on migrants' views and perspectives in an understudied setting.

## 5. Findings

The final sample considered for analysis includes 21 workers of foreign origin coming from European countries (Albania and Romania), Western Africa (Nigeria and Guinea), South A re(a)4(m)] TJETC

other 14 live alone and their families still reside in their country of origin. In addition, there are several differences in the occupation of the interviewees, ranging from being employed in construction, manufacturing, personal care, food retail, farming and the nursery sector, (the latter being

to the three areas of analysis. Overall, the findings show that individual experiences should be discussed in light of the factors affecting the *demand* for remittances, and those involving the *supply*.

### **5.1 A commitment to the family: higher demand for remittances**

In line with the literature on altruistic motives behind remittances, commitment towards the family emerged as a dominant theme within the interviews. Sustaining retiree parents, young siblings, partners and children, friends or neighbours was felt as a primary responsibility by the majority of the respondents. For some of them, remittances constitute the family's single source of income, and "*if [migrants] don't send money, they don't have anything to eat*" (P4). For others, remittances must be regular to support investments in education and cover school fees for younger brothers and children, or to pay rents for the family living back home (P10, P11, P21). Thus, these migrants generally send off a given percentage of their monthly wage. Other 5 respondents claimed to send money irregularly, depending on families' multifaceted needs, potentially leading to fluctuations in demand for support (P3, P7, P8, P9 & P19). Respondents who do not send remittances regularly still show awareness that they must be ready to send remittances whenever their family asked:

*If something wrong happens to them, I cannot tell them that I do not have money. I must send this money. If they need 40 euros and I only have 20, then I must find a way to earn the other 20 and send 40 (P9).*

Notably, the pandemic deteriorated the economic and health conditions of many interviewees' families, leading respondents to remit more, or more frequently, than before. A remarkable example is offered by Nigerian respondents, who unambiguously pinpointed rampant inflation as a major factor constraining their families' budget during 2020. Consequently, respondents claimed to send more money back home than before (P6, P10, P11). The nation-wide lockdowns halting normal economic activities (P7), combined with the Nigerian government's inability to offer support and emergency income to the 220 million Nigerians stranded at home (P2), resulted in increased difficulties purchasing essential goods following the lockdown, which migrants tried to mitigate by sending greater amounts (P7). Recurrent lockdowns in the countries of origin were not only forcing migrants to higher transactions, but also unpredicted ones:



“[P6’s mom] *week there is going to be a lockdown in Nigeria, food shopping that week. It was a rush, and I was like okay, let me see what I can do, and I was sending money so that she could buy things and take them in the house*them

## **5.2 Sustaining remittance supply**

and again that

Together with reliance on savings, cutting expenditures was a first-order strategy to endure higher remittances. Several conversations revealed this.

*I was able to send more because there was less left for me. I go to the same job, but now I minimise*



Finally, even in the absence of formal associations, social networks provide a quick form of lending at zero interest (P8). P4, who was unable to send remittances between May and July 2020, claimed to have exceptionally borrowed money from his friends to support his family during the Muslim festival of Id al-Adha in July 2020.

### 5.3 Remittances channels

Interviewees reported heterogeneous experiences regarding their main remittance channel used. While Extra-European migrants mostly rely on MTOs accessible either through online applications or brick-and-mortar shops, European migrants adopt a wider range of formal and informal modes, confirming that lower distance and negligible travel costs enhance informality (Ferriani and Oddo, 2019). Their remittance modes include bank transfers and MTOs, as well as the physical transport of cash across national borders and sending packages containing goods and cash. It is worth pointing out that these flows are unrecorded but legal: migrants can freely cross national borders carrying cash until 10,000€, beyond which a declaration is required (P21). As P8 put down, “*the people I know*” meaning that



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Third, the research has shown several practices and widespread beliefs regarding the use of different remittance channels. Because most of the respondents highly value reaching money transfer shops and relying on in-person support, the early decision to keep RSPs open greatly enhanced remittance flows in the Italian case (Frigeri, 2020b). Moreover, this study offers limited evidence on the occurred shift from informal to formal channels claimed by the literature (Ratha et al., 2021; RCT, 2020). First, the majority of the European and Northern African respondents reported utilising formal remittance channels much more than informal ones, even before the pandemic's beginning. Second, interviewees claimed that informal systems persisted during the pandemic. In this regard, further research focused on European migrants is needed to uncover more evidence.

## **6. Conclusion**

This thesis sought to explore the experiences of migrants living in Italy and sustaining resilient remittance flows amid the COVID-19 pandemic. By relying on semi-structured in-depth interviews with 21 foreign workers in the Province of Pistoia (Tuscany), it aimed to contribute to a nascent literature thread looking into the factors explaining steady international remittances in 2020.

It revealed that the great majority of interviewees sent regular or higher remittances home during 2020. This resulted from increased demand for economic support from families based in the countries of origin, who experienced relevant health and economic challenges. To fulfil their family's commitment despite unchanged or worsened economic conditions, migrants undertook a set of coping strategies including reliance on their savings, reducing conslth and 3B100fm

to interpret them can be applied to different migrant communities and countries to augment research0ir5t t.001E60.000008871 0 595.32 8terpret them can be

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