INTERNATIONAL LABOR MIGRATION AND REMITTANCES IN THE PHILIPPINES*

INTRODUCTION

The phenomena of international migration and remittances have been the focus of attention and concern in both good times and bad times. This is particularly true for countries with large international migration and remittance streams such as the Philippines. Since last year, the whole world, including the Asia and Pacific regions have been hit by four (4) crises, i. e., the food, fuel, finance and the AH1N1 flu virus. While recent economic indicators show that the world economy has begun to stabilize and signs of economic recovery are in sight, the expected adverse impact of the economic crisis on remittances and subsequently on the beneficiaries (including the migrants themselves) has been a cause for concern.

A number of studies point to the economic impact of international migration and the role of remittances in the economy, both at the macro and micro levels. The positive impacts are : remittances provide a significant source of foreign exchange; support the migrant's family's needs for food, clothing and shelter; contribute to improvement in human resources since part of remittances are spent for education and health; source of savings and capital for investments in business or financial instruments; source of funds (mainly donations from migrants), for infrastructure and social services in local communities; and international migration transfers skills and technology , translating to growth for certain sectors of the economy. On the other hand, there are the social costs of migration and the negative impact on real growth.

PROFILE OF FILIPINOS OVERSEAS

Classification of Filipinos Overseas

Filipinos who are abroad may be classified into three groups:

1. Permanent migrants – These are Philippine nationals who left the country with the expressed intention of settling or residing permanently in another country;

2. Temporary or Non- Immigrants – These are Philippine nationals who have been away from the country for more than six (6) months with the expectation of returning home at the end of their work contracts or tour of duty; and

3. Irregular Migrants – These are Philippine nationals who leave the Philippines with or without proper documentation (valid residence/work permits) but eventually lost their legitimate status or have overstayed in foreign countries.

* Presented by Margarita R. Songco, Deputy Director-General, National Economic and Development Authority, during the conference on "The Impact of the Global Economic Slowdown on Poverty and Sustainable Development in Asia and the Pacific", 28-30 September 2009, Hanoi, Viet Nam

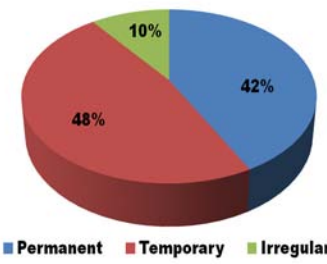
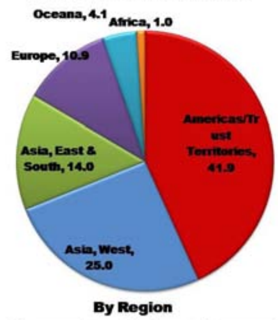


Figure 1. Distribution of the 8.72 million Overseas Filipinos by Category of Migrant as of end-2007

Source: Commission on Overseas Filipinos

Based on latest available data from the Commission on Filipinos Overseas (CFO), there were an estimated 8.72 million overseas Filipinos by end-2007 comprising 3.69 million permanent residents, 4.13 million temporary migrants, and 0.90 million irregular migrants (Figure 1). These Filipinos are spread in about 193 countries and territories. The top destination locations are the Americas (42%), followed by the Middle East (25%), Asia (14%), Europe (11%), and others (8%) (Figure 2). In terms of countries, the five countries with most number of overseas Filipinos are in Saudi Arabia (12%), United Arab Emirates (6%), Malaysia (3%), United Kingdom (2%) and Japan (2%). The CFO is currently estimating the stock of overseas Filipinos in 2008. The CFO collects data from different embassies and consulates of the Department of Foreign Affairs, Philippine Overseas Employment Administration, other government agencies, reports from Filipino associations and organizations abroad, and censuses of foreign governments on their immigrant population (Asis, 2008).

Figure 2. Distribution of the 8.72 Million Overseas Filipinos by Destination of Migrant by end-2007, in percent



Top 5 Countries

Saudi Arabia	12
United Arab Emirates	6
Malaysia	3
United Kingdom	2
Japan	2

Source: Commission on Overseas Filipinos

Characteristics of Overseas Filipino Workers

This section provides the characteristics of the overseas Filipino workers (OFWs), or those in group number two in the previous section. Data from the Commission on Filipinos Overseas is limited, i.e. no socio-economic characteristics, because its primary task is to account for the number of nationals who are abroad. To obtain national estimates on the number of overseas Filipinos including overseas workers and their socio-economic characteristics, the Survey of Overseas Filipinos (SOF), which is a household-based survey, is conducted by the Philippine's National Statistics Office every October of each year.

The survey gathers information on Filipino citizens including overseas workers who left abroad during the last five years. Specifically, the survey defines OFWs as Filipinos who are currently and temporarily abroad with contracts to fulfill overseas work for a specific length of time and those with valid working visa or work permits. The number of overseas Filipinos as reported by the CFO differs from the SOF because the survey accounts for international migration five years prior to the survey period. In addition, the number of OWFs as estimated by the Philippine Overseas Employment Administration differs from the survey data because the OFWs covered are those who left for abroad six months prior to the survey date and the information are obtained directly from the OFWs if they are present in the household or from household members who know the person who went abroad.

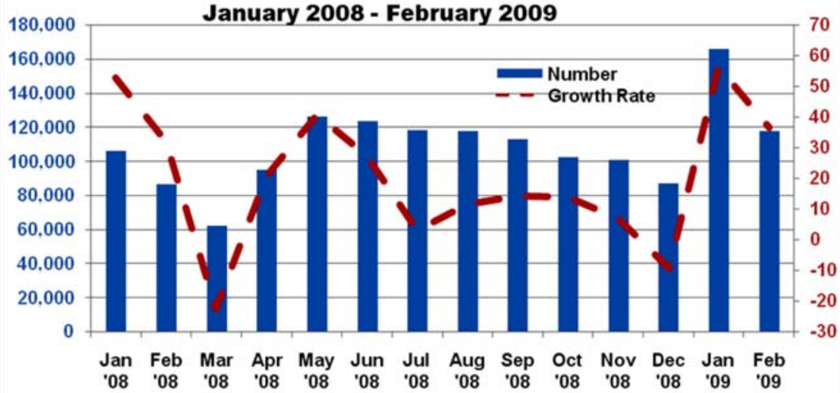
Based on the 2008 Survey of Overseas Filipinos (SOF), there were about 2 million overseas Filipino workers in 2008. Of these OFWs, there were more males (52%) than females (48%) and almost two-thirds (62%) were in the relatively young ages of 25-39 years old. The OFWs predominantly came from the region of Cavite, Laguna, Batangas, Rizal and Quezon (CALABARZON) (18%) and the nearby regions of Central Luzon (15%) and the National Capital Region (14%).

Most of the OWFs were working as laborers and unskilled workers (33%), trades and related workers (16%), service workers and shop and market sales workers (14%), plant and machine operators and assemblers (13%), and professionals (10%). Majority of the overseas migrant workers were in Saudi Arabia (20%), United Arab Emirates (15%), Europe (9%), the Americas (8%), Hong Kong SAR (6%), and Japan (5%).

Deployment of Overseas Filipino Workers

Philippine Overseas Employment Administration (POEA) collects flow statistics, or data on the annual deployment of overseas Filipino workers. Deployment data covers recruited workers whose overseas employment/travel documentation papers were processed by the POEA and the departure was recorded officially. Deployed OFWs are generally categorized as land-based workers or those working on land, and sea-based workers or 'seafarers'.

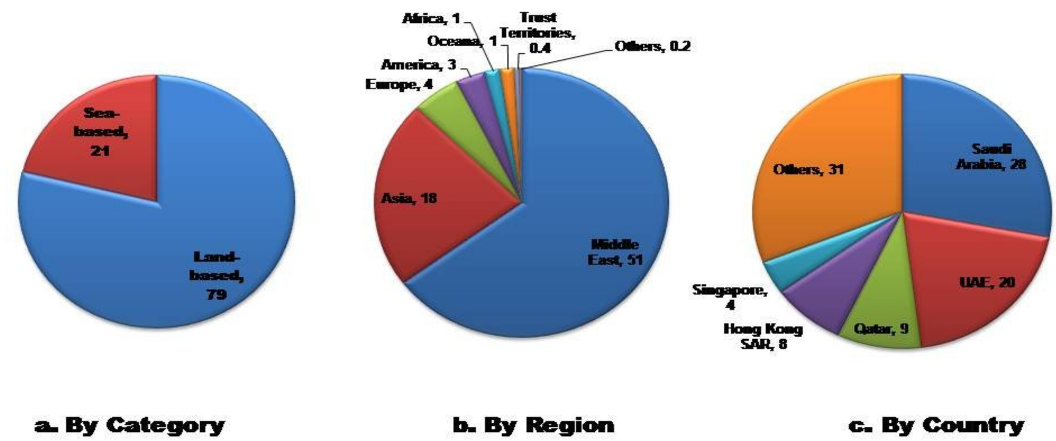
Figure 3. Monthly Deployment of Overseas Filipino Workers, January 2008 - February 2009



Source: Philippine Overseas Employment Administration

Based on the latest available data on labor outflow from the POEA, monthly deployment since May 2008 has been more than 100,000 workers except for the month of December when deployment dropped to 86,584 (Figure 3). For the first two months of 2009, total deployment reached about 283 thousand or a monthly labor outflow of approximately 142 thousand. While year-on-year growth rate in OFW deployment is lower in February than in January, total deployment for these two months in 2009 already represents 23 percent of the 1.2 million total deployment in 2008.

Figure 4. Distribution of Deployed Overseas Filipino Workers, 2008



Source: Philippine Overseas Employment Administration

In 2008, 79 percent of the deployed workers were land-based and 21 percent sea-based. The top deployment destination was the Middle East (51 percent), followed by Asia (18 percent), Europe (4 percent), the Americas (3 percent), and others (3 percent) (Figure 4). In terms of countries, the top five countries of deployment are Saudi Arabia (28%), United Arab Emirates (20%), Qatar (9%), Hong Kong SAR (8%), and Singapore (4%).

Recent Demand for Overseas Filipino Workers

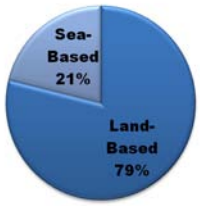
Demand for overseas Filipino workers has evolved since the first deployment of agricultural workers who cultivated the sugarcane plantations in Hawaii at the turn of the 20th century. The changing structure of destination countries have influenced labor migration (Ofreneo, 2005) as evidenced by the demand for Filipino labor in oil-rich Middle East countries during the 1970's when the rush of petro dollars gave way to a construction boom in the region. This was then followed by a demand for manual workers and skilled service workers to service the newly built hospitals, commercial centers and other facilities. Recent data show that Filipinos would now find

Table 1. Newly Hired Overseas Workers by Skill Category, 2007

Skill Category	Level	% Share to Total
Production Workers	121,715	39.73
Service Workers	107,135	34.97
Professional and Technical Workers	43,225	14.11
Clerical Workers	13,662	4.46
Sales Workers	7,942	2.59
Administrative and Managerial Workers	1,139	0.37
Agriculture Workers	952	0.31
For reclassification	10,613	3.46
Total	306,383	100.0

Source: Philippine Overseas Employment Administration themselves in higher skilled and higher paying jobs abroad. In 2007, newly-hired overseas workers were placed as production workers (40%), service workers (35%) and professional and technical workers (14%) (Table 1).

Figure 5. Distibution of Deployed Overseas Filipino Workers by Destination, 2008



Source: Philippine Overseas Employment Administration

While land-based overseas workers comprised the majority of deployed workers in 2008, there are about 20 percent of those deployed servicing the global commercial maritime industry (Figure 5). Demand for Filipino workers is expected to continue given changing demographics in developed countries that resulted in rising demand for health care providers (Bird, 2009).

Overseas Filipino Workers Who Were Affected by the Global Economic Crisis

One expected consequence of the global financial and economic crisis is the reduction in the number of foreign labor as economic production suffers and take a deep fall. And since most OFWs work in the oil-producing Middle East countries that suffered income declines due to weak global demand for oil, and also in countries hit by the financial crisis, significant return labor migrants were expected in 2009.

Based on POEA data as of July 31, 2009 (Table 2), of the 6,937 OWFs displaced by the global financial and economic crisis, 4,495 have returned to the Philippines. Displaced workers are those who were separated from their employers either (a) permanently due to complete and total separation; or (b) temporarily, or separated for not more than six months. Most of the displaced and returning displaced workers were from Taiwan (4,428 displaced

Table 2. Number of Overseas Filipino Workers Displaced by the Global Crisis as of July 31, 2009

Country	No. of Displaced Workers		Industry	Reason
	Total	Returned to the Philippines		
Total	6931	4495		
Taiwan	4428	4251	Electronic, metal works, semi-conductor	bankruptcy and retrenchment
Australia	81	50	shipping, construction	redundancy
Brunei	245	No returnee	Garments	restructuring
United Kingdom	20	16	electrical/telecom	reduction in workload
UAE	1357	No returnee	service, construction, advertising, architecture, engineering	operation slowdown, redundancy
Macau	169	126	construction, hotel	suspension of construction projects, cost cutting in operational cost
Greece	47	No returnee	service, cruise vessel	retrenchment
Saudi Arabia	74	2	construction	workforce reduction
Korea	227	6	electronics	laid-off/decided to go home
Poland	11	No returnee	metal work	retrenchment
Canada	180	No returnee	oil and gas	retrenchment
Japan	14	No returnee	information technology	retrenchment
Malaysia	32	25	garments	retrenchment
Russia	19	No returnee	building construction	suspension of construction projects
Singapore	19	19	metal work	retrenchment
Qatar	8	No returnee	various(e.g. construction, engineering, etc)	retrenchment

Source: Philippine Overseas Employment Administration workers and 4,251 returning displaced workers, respectively) who worked as production workers in the electronic, metal works, and semiconductor factories that were either bankrupt or forced to lay- off workers. Operation slowdown and redundancy in the service, construction, advertising, architecture and engineering industries in the United Arab Emirates displaced 1,357 OFWs but there were no report of returnees. There are anecdotes stating that displaced workers would rather seek other employment within or outside of their host countries than return to the Philippines for fear of not being able to leave and work abroad in the future. The rest of the affected workers were laid-off due to cost-cutting and suspension of projects in industries such as shipping, construction, garments, oil and gas, and information technology. Countries with at least 100 reported displaced Filipino workers are Brunei (245, no reported returnee), South Korea (227, 6 returnees), Canada (180, no reported returnee), Macau SAR (176, 126 returnees).

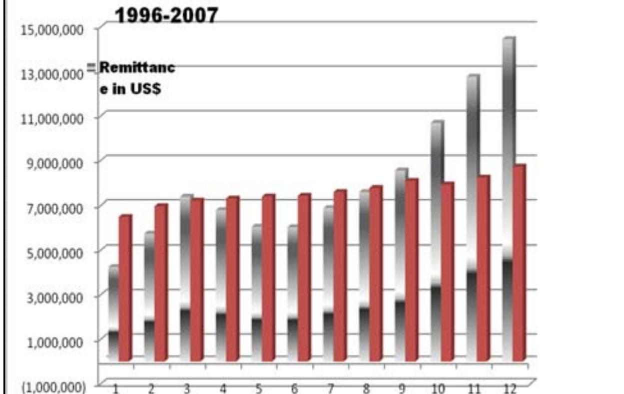
Further, because of the crisis, deployment of some workers was postponed due to project closure and reduction in production. POEA data as of July 31, 2009 show that 679 workers for 19 companies are waiting to be deployed, of which 575 are bound for Canada to work in the construction and energy industries and 85 workers are destined for the United Arab Emirates to work in service, electronics and construction companies.

Undoubtedly, there would be cases of unreported displacement of Filipino migrant workers because (a) they immediately found other jobs, or (b) they decided to remain abroad, legally or illegally, to seek other opportunities. In these instances, second round negative effects may be experienced by these workers resulting from lower wages, increased number of working hours, unacceptable working conditions, reduced worker benefits, etc.

REMITTANCES OF FILIPINOS OVERSEAS

Recent trends and Composition of Remittances

Figure 6. Stock of Overseas Filipinos and Remittances, 1996-2007



Sources: Commission on Overseas Filipinos and Bangko Sentral ng Pilipinas

As the number of overseas Filipinos increases, the amount of remittances also increases (Figure 6). Remittances, as estimated by the *Bangko Sentral ng Pilipinas* (BSP) from the banking system (including money transfer operators, local agencies and door-to-door remittance services tied with banks), come from Philippine nationals who are abroad and not necessarily from temporary labor migrants only. BSP data showed that from $6.0 billion in 2000, remittances almost tripled to $16.4 billion in 2008 or an annual average growth rate of 13.3 percent. Of the total overseas Filipinos' remittances in 2008, 82 percent came from those who were land-based and 18 percent from those who were sea-based. For the first two months of 2009 when deployment grew by 47.4 percent, remittances reached $1.3 billion, 2.5 percent higher relative to the same period last year.

Remittances received by left-behind families were not all in cash, and if in cash, these were not all coursed through the banking system. The 2008 Survey of Overseas Filipinos estimated that of the P142 billion (about $3.2 billion) total remittances in 2008 (again data was provided by household members), 73 percent were cash sent to the families, 22 percent were cash brought home by the OFWs, and 5 percent were in kind. Of the P104 billion (about $2.3 billion) cash sent by the OFWs, only 76 percent were sent through banks while the rest were coursed through door-to-door services (12%), agency/local office (4%), friends/co-workers (1%), and other channels (8%).

The 2008 SOF also showed that by place of work, remittances were mostly sent from Western Asia (45%), East Asia (17%), Europe (13%) and the Americas (12%). By occupation, bulk of the remittances were earned by laborers and unskilled workers (20%), trades and related workers (18%), service workers, shop and market sales workers (14%), professionals (13%), and technicians and associate professionals (8%).

Luz (2008), in a presentation in a Philippine forum, stated that the remittances are generally spent for consumption, investment entrepreneurial activities and philanthropy, or charitable giving. He further observed that bulk of remittances goes to consumption and investment spending is generally acquisition of properties, mainly housing.

Remittances in 2009 Remained Strong Despite the Global Crisis

Considering that most labor migrant Filipinos are found in countries suffering from the global economic crisis, and thus, employment prospects are also bleak, many economists expected that remittances will decline significantly.

Because of the global economic crisis, many analysts, including the IMF and the World Bank, projected negative growth in remittances to the Philippines in 2009. The *Bangko Sentral ng Pilipinas* projected early this year that overseas Filipino remittances will grow flat in 2009, or at around the previous year's level of $16.4 billion.

However, remittances since the start of the year continue to grow, albeit at a pace slower that the previous year, and posted an unexpected 9.3 percent for the month of July. Total remittances of overseas Filipinos coursed through banks already reached a total of almost $10 billion ($9.97 billion) or 3.8 percent higher compared to the same period last year. The BSP (2009) reported that the sustained growth in remittances amidst the global economic turmoil is attributed to the continued strong demand for highly skilled and professional overseas Filipino workers and the wider access of overseas Filipinos and remittance recipients to a broad array of financial products and services offered by the banks. The major sources of remittances as reported by the BSP were the U.S. (41.8%), Canada (10.7%), Saudi Arabia (8.7%), U.K. (4.9%), Japan (4.5), Singapore (4.0%), United Arab Emirates (3.7%), Italy (3.2%), and Germany (2.6%).

MIGRATION, REMITTANCES AND POVERTY

Ravenstein's observation in the late 1800's remains true for most Filipinos – the major reason for overseas migration is economics. Prospects of higher wages in receiving countries entice many Filipinos to brave foreign lands, expecting to send money later to family members back home.

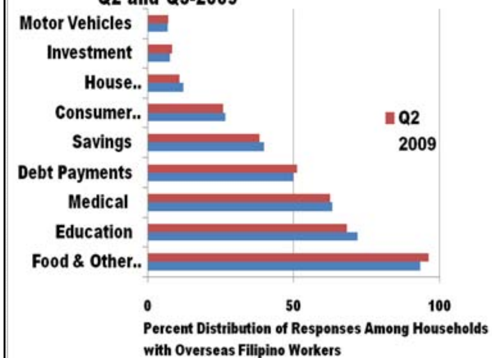
With increasing number of Filipinos working abroad and collectively sending significant amount of remittances to as much as 10 percent of GNP, interests on the impact of migration and remittances on migration is increasing. Studies on the Philippines show the inverse relationship of migration and remittances on poverty.

Bird (2008) concluded that "remittances are a key antipoverty driver in the Philippines". Looking at data from the 2006 Family Income and Expenditures Survey, he noted that high income households were major recipients of international remittances, accounting for as much as 16 percent of their household income. On the other hand, poor households get fewer international remittances and receive higher amounts of domestic remittances to augment their income.

Orbeta generated the same observation. In analyzing empirical studies on the impact of migration and remittances on poverty, he concluded that the "impact…appears to be consistently negative" (Orbeta, 2008). The studies he reviewed showed that (a) remittances reduce poverty incidence among households with migrant workers and that there is spill-over to households with no migrant worker since there is increasing incidence of gifts given to them by households with migrant workers and that there is a general increase in economic activities due to remittances; and (b) households with OFWs climb the income ladder faster that those without.

With remittances from overseas Filipinos remaining steadfast during this time of crisis, households with OFWs may have been less affected than those without OFW. Data from the Third Quarter 2009 Consumer Expectations Survey of the Bangko Sentral ng Pilipinas show that while OFW households utilize their remittances primarily for food, education, medical expenses and debt payments, quite a number still set aside for savings and investment in the third quarter of 2009 (Figure 7).

Figure 7. Utilization of Remittances Among Households with Overseas Filipino Worker, Q2 and Q3-2009



Source: Consumer Expectation Survey, Q2-Q3 2009, Bangko Sentral ng Pilipinas

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