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Labor Migration:
The Philippine Perspective

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I. *Latest Studies*

1.1 International Trends and Projections

According to the United Nations (2006), around 191 million people or 3 percent of the world's population, are international migrants. This is more than double their number in the 1970s. In 1985 there were 57 million migrants in the developing world and 54 million in developed countries. Since then however, the number of international migrants in developed countries has been growing rapidly while that of developing countries has stagnated. Consequently, in 2005, there were 94 million migrants residing in developed countries (excluding the USSR) compared to the 70 million living in the less developed regions of the world. Clearly then, international migration today is primarily a movement of people from developing to developed countries.

Demography is the principal driving force behind international migration. On the one hand we have low fertility rates in the capital-rich high-income countries, the consequence of which is an aging work force, a declining population of working age, labor shortages particularly of skilled workers, and high wage rates. On the other hand, we have high fertility rates in most capital-scarce developing economies, moderate to slow economic growth and consequently a surplus of laborers and relatively lower average wages.

It is this large differential in real wages due to relative differences in labor demand and supply and labor productivity that provides the impetus for the movement of labor from the less developed to the more developed regions of the world. The ILO (2000) estimated that workers in high-income countries, on average,

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earn five times more than what workers in low-income countries would earn on the average. On the other hand, the Global Commission on International Migration (2005) estimated that workers who move from lower income to higher income countries can earn incomes that are 20 to 30 times higher than what they would have earned at home.

The prospect of enjoying higher living standards and better conditions also provide strong incentives for migration. Countries with higher per capita incomes tend to have better infrastructure and other public services, health and educational services, and a variety of amenities for entertainment and leisure.

Rather than abate, we should expect the number of people who wish to migrate from developing to developed countries to rise. According to the World Bank (2006) the growth of the labor force of developing countries is expected to slow down even further over the next 20 years and decline subsequently as fertility rates continue to be below replacement levels.[1] Conversely, the labor force in the developing economies will continue to expand. The disparity in incomes is therefore expected to widen, providing a strong incentive for the movement of workers from low-income countries to high-income countries.

Moreover, past migrations have enabled sending countries to establish a network of contacts providing information and assistance to new migrants, reducing the uncertainties and costs of migrating, and facilitating and therefore encouraging more migrations into the receiving country.

The intensifying competition for relatively cheap, flexible, and skilled workers due to globalization and the reduction in barriers to trade should also increase the demand for migrant workers. Rising incomes, an aging population, and the entry of more and more women into the work force should increase the demand for certain services (e.g. domestic work, care-giving) that foreign workers are in a better position to supply.

[1] The replacement fertility is two children per woman's lifetime.

1.2 Benefits and Costs from Out-migration

Beyond doubt, the biggest benefit from international migration accrues to the migrant and the family he or she leaves behind. Migrants are likely to earn much more abroad and the gains to the sending country are greater when they send remittances.

Remittances have grown considerably in recent years as more Filipino workers, particularly those that are highly skilled, find employment abroad. According to the Central Bank of the Philippines (BSP) remittances from overseas workers to the Philippines, which amounted to just US$ 5.7 billion in 1997, reached US$12.8 billion in 2006 (Table 4).[2] In terms of absolute amounts, the Philippines is the 4th largest recipient of remittances after India and Mexico. At 10 percent of GDP, remittances constitute a significant amount relative to the size of the domestic economy and have set the country apart from other countries with the same level of development (Table 5). Remittances have become significant source of foreign exchange surpassing flows of official development assistance, foreign direct investments, and other private capital flows.[3]

What is the effect of remittances on the growth of the economy? One would think that it should always be positive. After all, theoretically, the increase in income and purchasing power of residents receiving remittances abroad should increase the demand for locally produced goods and the multiplier effect alone should increase the country's GDP. The data in most cases, however, show otherwise. The relationship between the growth in per capita GDP and remittances is often negative suggesting that an increase in the level of remittances tends to slow down economic growth.

One explanation provided by research is that some family members of households receiving remittances either stop working (they drop out of the labor

[2] Estimates by the Central Bank of the Philippines for the for the first 7 months of 2007 places total remittances coursed through banks at over US$8 billion. It excludes remittances that enter the country through informal channels.

[3] In his presentation, the Deputy Governor of the Bangko Sentral ng Pilipinas, Diwa Guinigundo estimates the value of overseas Filipino workers' remittances in 2006 as equivalent to 10% of GNP, 23.8% of exports, 525% of foreign direct investments, and 51% of the country's gross international reserves.

force) or reduce the time spent working (reduce labor supply) or take a longer time looking for work because they have higher reservation wages.[4] Ducanes and Abella (2007), however, find no evidence that this is true for the Philippines. On the contrary, when children of school age who are in school are excluded, the labor force participation rates for households with international migrants are higher than that of households without migrants.

Another explanation is that remittances are counter-cyclical, increasing during periods when a country is experiencing a downturn in the economy and incomes are falling. Remittances rise when families left behind are facing hard times. This implies that remittances can play an important role in maintaining stability in the face of an economic shock and in mitigating the effects of these shocks (Aggarwal and Spatafora, 2005).

Remittances tend to reduce pressures on developing countries to implement necessary but painful reforms to place the economy on track to economic growth that is sustainable in the long run.

One of the palpable effects of the large inflow of remittances is its tendency to cause an appreciation or strengthening of the domestic currency relative to foreign currencies. There are benefits from a stronger currency. For one, the foreign debt burden decreases since a country needs fewer pesos to buy dollars to service the debt. Imports also become cheaper causing the prices of production inputs and final goods to fall.

But there is also a downside to it called the "Dutch disease" by economists.[5] The appreciation of the currency will have negative consequences on the domestic production of tradable goods. The export sector will suffer as a country's exports become relatively more expensive in the world market and as the value of dollar earnings decline. Because imports are cheaper, local firms producing import

[4] See, for instance, Chami, Fullenkamp, and Jahjah (2003)
[5] The Dutch disease pertains to the adverse impact on the manufacturing sector of the discovery of natural gas in the Netherlands in the 1960s. The country earned a lot of foreign exchange from the export of natural gas. As a consequence, the Dutch currency appreciated and tradable goods production suffered as a consequence.

substitutes will experience a decrease in the demand for their products. Hence, the impact of a sharp appreciation can be disastrous to the economy in the long run.

Aside from the possibility of earning much higher incomes, migration provides households in developing countries with opportunities to diversify their sources of income and reduce the risk of suffering extreme deprivation when an unexpected drop in income or employment of family members in the home country occurs. Yang (2005) provides compelling evidence on some of the positive effects of migration and remittances for Philippine households experiencing income shocks. He examined remittances to Filipino households in response to economic shocks, specifically exchange rate shocks. His study looked at 1997-1998 data when most overseas workers' currencies appreciated against the Philippine peso due to the Asian financial crisis. As a result, household remittances received from abroad increased and this resulted in greater child education, a reduction in the incidence of child labor, higher educational expenditures in the migrant's household, and increased participation of migrant households in entrepreneurial activities.

Studies also show that remittances play a significant role in reducing the level and depth of poverty (Adams, 2007). The author cites various studies, one showing that a 10 percent per capita increase in officially recorded remittances to a developing country leads to a 3.5 percent decline in the share of people living on less than $1.00 a day. Another study by Capistrano and Sta. Maria [2007] finds that a 10% per capita increase in remittances and the number of migrants reduces the incidence of poverty by 0.4% and 0.2%, respectively. Other studies cited by Adams {2007} point to the positive effect of international migration on child health. Children born to migrant households are less likely to die in their first year and tend to weigh more than children in non-migrant households.

Adams (2007) also cites a number of studies disputing "stylized facts" that remittances are used primarily for consumption rather than savings and investment and that if saved and invested, go into non-productive expenditures such as land and jewelry (Chami, Fullenkamp, and Jahjah, 2003). This dim view on the effects of remittances arises from poorly designed surveys that do not take into account the possibility that remittances spent on consumption frees other resources for investment. In contrast, more rigorous research shows that households receiving international remittances spend less at the margin on consumption goods (food for instance) and more on investment goods such as education, housing, and entrepreneurial activities.

It is widely believed that the out-migration of skilled workers from developing countries constitutes a "brain drain". The migration of skilled or educated workers may ultimately cause a fall in the living standards of the sending countries for a number of reasons.[6] For one, there are beneficial spillover effects in terms of the transfer of skills to other workers that are lost from migration. Educated citizens may be crucial to promoting sound policy, good governance and the administrative capacity of government. They may be particularly important in providing key public services with positive externalities such as education and health. Society forgoes their contribution to debates on policy, in shaping public opinion, and in electing competent and honest political leaders. An abundant supply of skilled workers will allow firms to increase the scale of production and increase productivity through economies of scale. In countries like the Philippines where education is often heavily subsidized by the government and paid for by taxes imposed on its citizens, the migration of educated workers constitutes a revenue loss.

The brain drain is particularly acute for the Philippines compared with other countries. Docquier and Marfouk (2006) rank the Philippines second only to the United Kingdom in terms of the stock of skilled migrants estimated at 1.136 million in the year 2000. It ranked fourth in terms of selection rates or the proportion of skilled migrants to the total stock of migrants estimated at 67 percent.

The "brain drain" argument is disputed, however, by a new literature that argues that there is in fact a brain gain from migration.[7] Better opportunities for migration increase the expected returns from education and therefore encourage individuals and families to invest more in education. Moreover, the earnings remitted by migrants enable the family to invest more in the education of their children. Finally, temporary migrants learn new skills while working abroad and are able to

[6] See World Bank (2006).
[7] See for instance Mountford (1997) and Stark, Helmenstein, and Prskawetz (1997).

transfers these skills to the home country through employment or by establishing their own enterprises. The net result is a "brain gain" rather than a "brain drain".[8]

The other question is: are the skills of migrants utilized in the destination countries? If educated and skilled migrants end up in unskilled jobs in the destination countries then this constitutes not only a brain drain but also a "brain waste" for developing countries. There are three major reasons this. The first has to do with the quality of education in the sending countries (Ozden, 2006). The quality of education may be so low that they cannot qualify for skilled employment in the destination country. Secondly, Mattoo, Neagen, and Ozden (2005) attribute the phenomenon to information asymmetry. Receiving countries have very little information about the quality of education in the sending countries. Finally, they also point out that many developed countries have excessive restrictions on entry in various professions, including medicine and nursing.

Migration also imposes costs on the families left behind and this cost, because it is difficult to quantify, is often neglected in the calculus of benefits and costs from migration. Batistella and Conaco (1996), for instance, find that children of migrant parents in Luzon did not perform as well and were likely to be socially maladjusted (especially when the mother was the one that migrated) compared to children with both parents present.

II. Recruitment and Deployment

The Philippines has a long history as an exporter of human resources with the highest rate of out-migration among the countries of East Asia. The Philippine Government has adopted a deliberate policy of promoting the export of labor for almost thirty years when the country began sending Filipinos to work abroad in large numbers beginning in the late seventies. The policy of encouraging overseas work was laid out in the 1974 Labor Code and the Medium Term Philippine Development Plans since 1978.

[8] Schiff (2006) gives a critical examination of the main findings of the literature on the "brain gain".

2.1. Deployment

The Philippine Overseas Employment Agency (POEA) estimates that as of December 2006 there were over eight million overseas Filipinos (Table 2). Forty-three percent were permanent migrants, 46 percent temporary workers, while the rest or 11 percent were irregular workers.[9] The overwhelming majority of permanent migrants (84%) went to North America, in particular, to the USA. On the other hand, majority of temporary workers were deployed in the Middle East (45.8 % of all temporary workers), and in East (26% of all temporary workers), primarily Japan and Hong Kong. Irregular workers can be found mostly in the United States and Malaysia.

Table 3 shows estimates by the POEA of new hires for overseas employment by gender and skill category covering the period 1992-2001. Two notable observations can be made about this table. First of all, the share of lesser skilled production workers has declined while that of the more skilled professional and technical workers has increased, a clear indication that a growing proportion of our labor exports consists of skilled workers. Secondly, the share of females in overseas work is increasing. While females constituted 50% of all new deployments abroad in 1992, they comprised 69% of all new hires in 2002. Women dominate in our exports of professional and technical workers and also in the low-skilled services sector.

2.2 Government Policy, Institutions, and Programs

Since the 1970's, the governments implicit policy has been to promote labor migration as a means to ease unemployment and underemployment and to earn much needed foreign exchange for the country. Indeed, the country has one of the most developed institutional infrastructure that deals with various aspects of international migration. Nevertheless, RA 8042 or the Migrant Workers and Overseas Filipino Act of 1995 explicitly states that the government "will not promote overseas work as an instrument to sustain economic growth". This dissonance

[9] Permanent migrants are immigrants or legal permanent residents abroad whose stay does not depend on work contracts; temporary migrants are persons whose stay abroad is employment related and who are expected to return at the end of their contracts; irregular migrants are undocumented persons without valid employment or resident permits abroad and who are overstaying.

between public policy and actual practice was apparently meant to deflect widespread criticism regarding the government's perceived inability to provide gainful employment within the country to its own citizens. Hence, the policy of labor migration is officially touted as a stop gap measure to ease social tensions until the country can "take-off" to higher growth and employment creation.

These pronouncements however have not restrained the government from departing from the goal of expanding the market for overseas employment. For instance, multilateral, regional, and bilateral negotiations for trade and investment liberalization (free trade agreements) are often accompanied by negotiations for the simultaneous liberalization of labor flows.[10] To increase the demand for Filipino workers abroad, the government has also adopted the policy of enhancing the reputation of the country as a good source of quality workers through the careful screening of potential migrants and through technical education and training.

The Philippine Overseas Employment Administration (POEA), an agency under the Department of Labor and Employment (DOLE) was established to develop the market for overseas employment, formulate and enforce labor standards for the employment of workers overseas, license and regulate private recruiters, and impose limits on fees charged by recruiters. For instance, it forbids recruitment agencies from charging "placement fees" to domestic workers bound for countries whose laws require the employer to shoulder the cost of hiring workers. Any violation of this policy is ground for the cancellation of the license of the recruitment agency.

Before 1976, the recruitment and deployment of overseas workers was virtually a state monopoly. Since then, the task was transferred to private recruitment and manning agencies. There are now over a thousand licensed recruitment agencies in the country.

The POEA requires overseas workers to undergo skills assessment and certification by the Technical Education and Skills Development Authority (TESDA). Certified workers are issued a Certificate of Competency (COCs) attesting to the

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[10] The Philippines and Japan, for instance, recently signed a free trade agreement that contains provisions for Filipino workers, especially nurses and caregivers, to pursue employment and training in Japan.

competence of the applicant for the job applied for. Recently, the POEA also required the training of applicants in country-specific language and culture by the Overseas Workers Welfare Administration (OWWA) in some cases, free of charge. The POEA will not process the placement contracts of workers without COCs and who have not completed the training. Professionals applying for work abroad are also required to submit proof of completion of the requisite course from the Commission on Higher Education (CHED) or having passed the board examination for occupations requiring it from the Professional Regulation Commission (PRC).

Applicants must also prove that they are physically fit and free of any disease that may be contagious or lead to the premature termination of the employment contract. They are required to undergo medical and physical check up in clinics and hospitals duly accredited by the Department of Health.

Upon receipt of their visas, applicants are required to attend a Pre-departure Orientation Seminar. The seminar briefs the applicant on the laws, customs, and practices of the destination country, their rights and obligations under the employment contract, and how to adapt successfully to the new environment. Private institutions accredited by the OWWA, recruitment agencies with their own orientation programs, and NGOs particularly those servicing migrants applying for jobs in vulnerable occupations provide the orientation seminars.

2.3. A Contentious Issue

An issue that has been the object of contentious debate in recent years is the provision contained in RA 8042 calling for the progressive deregulation and gradual phase out of the regulatory functions of the POEA. The government will no longer intervene in the formulation of the employment contract and these will be treated as a private agreement between employer and employee.

III. Safety and Welfare

Overseas work involves a lot of risks. The loss of life, injury and permanent disability is a distinct possibility. Workers, particularly domestics, can suffer abuse and be forced to work under inhumane working conditions. They face other contingencies such as an unanticipated job loss.

3.1 State Policy

Government policy with respect to the welfare of overseas workers is circumscribed by the Constitution which declares that "the State shall give full protection to labor. Local or overseas, organized and unorganized ..." Since 1974, government policy focused on the expansion of overseas employment. With the execution of Flor Contemplacion and the public furor that followed it, government policy shifted emphasis to the protection and promotion of the welfare of migrants even if this will lead to a reduction in overseas employment. For one, the Migrant Workers and Overseas Filipino Act of 1995 provides that Filipinos will only be deployed to countries that ensure the protection of migrant workers.

To be eligible as a destination for Filipino migrant workers, a country must satisfy any of the following criteria:

- It has labor laws protecting the rights of migrant workers;
- It is a signatory to multilateral conventions, declarations, or resolutions on the protection of migrant workers;
- It has an existing bilateral arrangement with the Philippines on the protection of the rights of Filipino workers in the host country; or
- It is taking concrete steps to protect the rights of migrant workers.

The government is active in negotiating formal bilateral labor agreements with a number of host countries for the protection of Filipino migrant workers. Bilateral agreements cover the number and types of workers that will be allowed in the host country, the protection of migrant workers from abuse, and acceptable terms and conditions of employment. These agreements can take the form of a formal treaty, a Memorandum of Understanding, or a Memorandum of Agreement.

3.2 Institutional Structure

While the POEA administers all the processes and requirements for the deployment of overseas workers, the Overseas Workers Welfare Administration (OWWA) is responsible for the welfare of the worker abroad and the family left behind. The safety and welfare workers abroad is protected through consular services and labor offices established in destination countries. The Department of Labor and Employment established Philippine Overseas Labor Offices (POLO) in 34 countries where a large number of Filipinos are employed. In other countries, the task of looking after the welfare of Filipino migrants is handled by the labor attaché and other embassy personnel. To rationalize the work of different government agencies providing support to overseas workers, the government recently adopted the "one country" team approach. Officers, representatives, and personnel of different government agencies posted abroad shall act as one team under the direction of the Philippine Ambassador. The Ambassador can recommend the recall of government personnel who refuse to cooperate.

3.3 Welfare Programs

To qualify for the welfare programs of the OWWA, overseas workers are required to pay a membership contribution equivalent to US$25.00. Membership can be obtained upon processing of the contract at the POEA or by voluntary registration overseas. Membership is effective upon payment of the contribution and expires with the employment contract. Membership can only be renewed with a new job contract and upon payment of the membership contribution.

MOU on standard employment contracts. Problem with domestic workers is they are often not covered by employment regulations, working conditions can be substandard, no limit to working hours, vulnerable to abuse and sexual harassment. Example Malaysia and Philippines in 1987 adopted a standard contract for domestic workers: at least two years work, $200 minimum wages, a working day of ten hours at most, 8 hours of continued period of sleep.

The POEA also recently approved a policy requiring employers of Filipino domestic workers to pay a minimum wage of $400. It will not process the papers of workers with contracts stipulating compensation below this wage.

Under the new policy, the Philippine Overseas Labor Offices (POLO) are required to be stricter in screening potential employers of Filipino domestic workers. Employers will have to be interviewed and employers who have violated contracts especially those that have underpaid or not paid their employees or those reported to have maltreated or abused their employees will be blacklisted and not allowed to employ Filipino workers.

There is an on-going debate about the wisdom of these policies because of their possible adverse effect on the demand for Filipino domestic workers. While these policies may reduce employment to some extent this has to be weighed against the long term benefits in terms of the decreased likelihood of abuses committed against domestic workers. Besides, the current direction of policy is to ensure the protection of Filipino workers even if it comes at the expense of a decline in overseas employment.

IV. Undocumented Workers

V. Repatriation and Reintegration

1.1. Repatriation

Under Section 15 of RA 8042, the OWWA is responsible for the repatriation of workers in cases of war, epidemic, natural calamities, and other similar events. OWWA works closely with the host government, the Red Cross, the Red Crescent, the International Organization for Migration, religious groups and other non-government organizations, and recruiting agencies to assist in the evacuation and repatriation of Filipino overseas workers. Ordinarily, the costs of repatriation will be shouldered by the agency or principal responsible for the worker, that is, the employer or recruiting agency. However, when the agency responsible cannot be located or identified, the government through the OWWA shoulders the costs consisting primarily of the cost of travel and temporary lodging. In 2006, the country repatriated 6, 821 overseas workers.

There are special programs available for repatriated workers. They include social counseling for the OFW, skills training, information on savings and investment options, business development and livelihood assistance, educational assistance for the children of displaced workers who have lost their jobs, and information on alternative job opportunities abroad.

Specific programs include:

- Families of OFWs who work in the same place overseas are organized into *Family Circles* to facilitate repatriation and the transfer of assistance when the need arises.
- In partnership with Microsoft, the DOLE established training centers for overseas migrant workers in information and communication technology (ICT).

1.2 Reintegration

While encouraging its workers to go abroad the Philippines unlike many other sending countries provides incentives for their return. In its bilateral agreements with host countries, the country often assumes some responsibility in ensuring the return of migrant workers upon completion of their contract. To a large extent, this policy tends to facilitate overseas employment since destination countries are more open to accepting foreign workers who are less likely to overstay.

The country has several laws and programs to encourage overseas Filipinos to return. RA 6768 or the Balikbayan Act of 1989 and RA 9174 provide a number of benefits for returning overseas workers such as exemptions from the travel tax and duty free importation of goods, personal household items for resettlement, and capital equipment for use in an enterprise. The Citizenship Retention and Reacquisition Act of 2003 permit Filipinos who have become citizens of other countries to enjoy dual citizenship. Hence, they enjoy the same rights as Filipino citizens in terms of their allowable scope of local investments and property ownership.

Programs include:

- Balik Scientist Program – A program of the Department of Science and Technology that allows foreign based Filipino science and technology experts to return and reside in the Philippines to share their expertise.

- Livelihood Program - A component of the Comprehensive Re-integration Program for that provides training in entrepreneurship and credit to returning or repatriated overseas workers.

The country recently inaugurated the Reintegration Center for OFWs. The center administers programs and services for returning migrant workers with the goal of assisting them to reintegrate in the mainstream of Philippine Society.

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