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LABOUR MIGRATION AND DEVELOPMENT GOALS: THE PHILIPPINE EXPERIENCE

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I. Introduction

Global labour mobility has drawn increasing attention in recent years, due in part to the rapid growth of such migratory streams and also because scholars and policymakers alike are looking into its links with development goals. Interest has also been stimulated by the increasing diversity of people crossing national boundaries: immigrants, temporary workers, refugees, executives of multinational corporations and, in a growing number of cases, even illegal migrants.

All these movements of people have been influenced by push and pull factors such as inadequate income levels in the home country, better jobs available abroad, opening of borders, easier mobility due to better communications and transportation infrastructure, and the increasing need for services around the world.

It is estimated that there are now about 191 million migrants worldwide and that they comprise 3.0 percent of the global population.[1] With movement across borders now a reality that cannot be ignored, effective management of the labor migration process is essential.

For the Philippines, a labour sending country, migration management has always been grounded on the goal to make labour migration work for the benefit of the migrant workers themselves, their families and society as a whole. Today, this goal has become more imperative particularly because migration for work has proven to have substantial implications on growth and development in the country. Today, Overseas Filipino Workers (OFWs) are regarded as active development agents.

[1] United Nations (2005). Trends in Total Migrant Stock: The 2005 Revision, http://esa.un.org/migration.

II. OFWs: The New Development Actors

The Philippines has people in practically every corner of the world (197 countries), and has one of the highest rates of out migration. Stock estimates in 2006 show that there are more than 8 M Filipinos overseas, or nearly 10 per cent of the population. Of these, 3.57 M were reported to be in the Americas and Trust Territories, 1.84 M in the Middle Eastern countries, 1.22 M in East and South Asia, 888 thousand in Europe, 339 thousand in Oceania, and more than 89 thousand in Africa. In addition, about 274 thousand sea-based OFWs man ships around the world.[2]

43 percent or 3.56 M of these migrants are immigrants or legal permanent residents abroad, 46 percent or 3.8 M are temporary migrants, while 10 percent or about 870 thousand are irregular or undocumented workers.

Most of the permanent overseas Filipinos are concentrated in highly developed countries, with the US and Trust Territories accounting for 81 percent. On the other hand, about 45 percent of temporary overseas Filipinos are found in the Middle-East and about 20 percent are located in the Philippines' neighboring host countries such as Hongkong SAR, Japan, and Malaysia. Last year's stock estimates also validate a shift toward new overseas job markets for OFWs. For instance, European countries are now host to more Filipinos on contract employment as indicated in an increase from about 411 thousand OFWs in 2001 to 534 thousand last year. Major concentrations of Filipinos in Europe can be found in Italy, the United Kingdom, and Greece.

The US and Trust Territories as well as Southeast Asia appear to be preferred destinations among irregular migrants, as the former accounted for 40 percent, and the latter accounted for 27 percent of the total stock of undocumented overseas Filipinos.

III. Managing Migration Flows

Having a valuable segment of its population overseas, the Philippines, since it first sent workers en masse in the early 1970s, has made it a primary state policy to promote and protect the welfare of Filipinos abroad.[3] The Philippines' underlying principle which guides the management of migration of its nationals is the constitutional mandate to afford full protection to labor, local and overseas, organized and unorganized, and promote full employment and equality of employment opportunities for all.

[2] Stock Estimate of Overseas Filipinos (2006)
[3] RA 8042, Migrant Workers and Overseas Filipinos Act of 1995

To address attendant costs of migration, the State commits to maximize the benefits and minimize the costs of overseas employment through mechanisms for the orderly and systematic facilitation and documentation of workers, provision of adequate protection to minimize abuses and exploitation before, during, and after employment. These responses will show that the Philippines has a policy preference for circular or temporary migration. Some of these mechanisms are the Migrant Workers and Overseas Filipinos Act of 1995; an anti-illegal recruitment program; and, the recently issued Reform Package for Household Service Workers.

The Philippines manages migration flows using a four-pronged strategy of regulation, protection, reintegration, and support to families.

Regulation involves a number of official interventions to facilitate not only the orderly outflow, but also the return of the OFW. It also means balancing workers' freedom of movement with the constitutional duty to restrain mobility when national interest and welfare is at stake. The interventions include a licensing system for recruitment agents, standards for recruitment fees, wages and working conditions, repatriation of workers and the posting of bonds, and standard employment contracts that prescribe definite tenure and the employer's duty to assist the OFW in facilitating their return to the Philippines once the contract expires.

Interventions also come in the form of bilateral labor agreements (BLAs). The job contract has itself become a subject - and an instrument - of bilateral understanding with some host countries. Model or mutually accepted employment contracts have been developed to primarily protect the welfare of the workers and to take into consideration the prevailing market conditions. In addition to this, the Philippine Department of Labor and Employment is also pursuing a "full disclosure" policy in the different labor markets, based on the premise that in a free and open society, information is the best weapon for protecting workers and managing the tide of migrant workers.

Regulation at the deployment stage, on the other hand, seeks to maintain a good supply of manpower for both local and overseas markets, as well as to prevent exploitation of workers. For instance, a six-month notice is required prior to the deployment of skills or professions which are considered critical. The deployment of Filipino seafarers is governed by contracts with definite tenure that runs, on the average, for 10 months. Recently, there are concerted efforts between government agencies handling the supply-side of the market and stakeholders to review the supply and demand situation in certain local industries to ensure that the country will not suffer from the depletion of critical skills.[4]

[4] Report of the National Manpower Summit, March 2006, Philippines

Protection of OFWs is afforded on-site and off-site. At both ends, the value of returning home is impressed upon the OFW. Off-site, workers undergo country-specific pre-employment and pre-deployment orientation to inform them not only on the risks and possible problems of overseas employment, but also the gains that they can achieve in terms of skills acquisition and knowledge. The worker is also enrolled for health, life insurance, housing and social security.

On-site, in addition to quick responses in cases of maltreatment, abuse, contract violations, and repatriation, a corps of labor attaches and welfare officers organize seminars and investment counseling services that guide the OFW's investment decisions upon return to the Philippines. The seminars tackle opportunities for property ownership, business opportunities, as well as skills training upon return. Short-term scholarships on computer usage, food preparation, sewing and financial planning are also offered on-site to equip the OFW with skills which may be put to good use when they go back home.

Reintegration involves preparing the OFW to become a productive contributor to the domestic economy, either through employment or entrepreneurship, upon his or her return. Notably, the Philippines has forged agreements with some host countries where OFWs are contract bound to return to the Philippines on a regular or occasional basis, and where these host countries are encouraged to support this effort by providing mechanisms and channels that enable OFWs to move easily between the Philippines and the destination countries.

Upon the migrant's return, he or she may avail of a reintegration package consisting of loans, counseling, training and retraining, and scholarships. Following a framework that focuses on personal, economic and community reintegration, these programs and services are now housed in a one-stop National Reintegration Center for OFWs (NRCO) which the Philippines launched last March this year. All on-going reintegration efforts seek to facilitate brain circulation among OFWs by providing the environment and support systems within which the returning migrant may utilize the knowledge and skills acquired overseas for productive endeavors in their home country.

The premise for reintegration is that by facilitating the OFW's smooth return to Philippine society (as evidenced by stronger family ties and sustained livelihoods), overseas employment no longer becomes the *only recourse* for families to have better lives, and instead simply becomes *one of the options*.

Supporting this approach are socio-economic policies that: guarantee OFWs their property rights and rights to vote and political participation; facilitate the flow of their remittances; and, provide them with investment windows, particularly through loans for small and medium enterprises.

Support for Family refers to assistance in ensuring the well-being of the OFW family, as well as building their entrepreneurial capacity consistent with the ideal that, eventually, the OFW and his or her family will no longer prefer overseas work as the only source of income. Programs in this area comprise a whole range of interventions that seek to keep family ties stronger despite the distance, and to build capacities for sustained livelihood.

Thus, there are OFW Family Circles organized all over the country which act as networks, not only for social capital, but also for entrepreneurial activities. Very recently, partnerships with the largest telecommunication firms in the country have been forged so that OFWs and their families can enjoy lower rates in phone calls and internet use, while also offering them business opportunities in the ICT sector in the form of internet cafes owned and managed by OFW Family Circles. There are also on-going negotiations with public and private institutions that can facilitate the establishment of small and medium enterprises so that OFW families can have the proper guidance in the event that they engage in entrepreneurial activities. Scholarships are also available for the spouses and children of OFWs.

IV. Reaping Development Gains

The Philippines' approach to managed migration, while seeking to ensure the protection and welfare of overseas Filipino workers is evolving to becoming a strategic measure toward the attainment of the country's development objectives. This is premised on a strong belief that the country cannot really speak of development when a large segment of the population remains extremely poor.

The best evidence of this link between migration and development, so far, is the remittances that flow into the country. After India, the Philippines ranks with China and Mexico as the biggest remittance recipient-countries worldwide. Based on records of the Bangko Sentral ng Pilipinas, which started accounting these remittances in the 1990s, the net remittance of overseas Filipinos in 2006 amounted to US$ 13.4 B or 10.4 B euros. This year, money sent home by Filipinos working overseas is forecast to hit a record US$14.1 B or 10.9 B euros.[5] This projection includes remittances sent through formal channels, such as banks, and other informal ways such as courier services. These monies, which represented a large portion of the national income – 10 percent of the Gross National Product (GNP) in the last five years, have fueled domestic consumption, economic growth and propelled the local currency to a four-year high against the U.S. dollar. There is no denying that earnings from overseas employment have made significant contributions to the Philippine economy. The question is whether these gains have accrued down to the lower levels of Philippine society.

[5] Bangko Sentral ng Pilipinas (2006).

Admittedly, there is a dearth of studies that explore the relationship between labor migration and poverty alleviation in the Philippines, apparently because of the complexity of issues involved (e.g. other factors affective economic improvement such as investment climate and economic policy shifts). However, findings from a few studies already give some indication.

At the macro level, it is established that the country's economy would have deflated by an annual average of 0.72 percentage point in the period 2001-2005 had there been no remittances coming in (Table 1).[6]

Table 1. Remittances and Share in the Gross National Product, 2001-2005

Year	Remittances (in US$ M)	% Share of Remittances in GNP
2001	6,031	9.3
2002	7,189	9.7
2003	7,578	10.1
2004	8,550	10.3
2005	10,689	10.6
Ave	8,007	10.0

Remittances also serve as a major source of foreign exchange earnings or currency inflows that result in significant reduction in prices of imported necessities like oil, food and farm products[7], which ultimately benefit those living in subsistence conditions. Within 2001-2004, remittances reached a total of PhP 1.71 B, roughly nine times higher than total foreign direct investments and one-third that of export earnings.

At the micro level, the favorable effects of remittances on the overseas workers' family income and savings are enormous. In an Asian Development Bank (ADB) study, these remittances have sent children and siblings to reputable schools, paid for relatives' medical needs, built decent houses, acquired appliances and amenities. For instance, in the northern part of the country, an impoverished town is being transformed because of a housing boom fueled by remittances from overseas workers. Along with the construction boom, 26 major Philippine banks have opened branches in the area.[8]

OFWs can earn from US$ 407 to US$ 1,063 in montly wages, which is more than double the equivalent domestic rates which range from US$ 191 to US$ 320 per month.[9] Alongside wage levels, remittances have become a

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6 Institute for Labor Studies, DOLE (2007). Research and Policy Brief on Migration and Poverty Alleviation
7 Opiniano, J. (2004). Our Future Beside the Exodus:Migration and Development Issues in the Philippines.
8 Businessworld, October 24, 2005.
9 Tan, E.(2005). The Wage Structure of Overseas Filipino Workers. UP School of Economics.Unpublished.

measure of the economic condition of OFWs and their families. A national survey found that an increasing number of Filipino families subsisted on income from abroad.[10] Such money flows into Filipino homes have consequently resulted in a lower incidence of poverty in certain regional groupings. In year 2000, for instance, the National Capital Region, which had the lowest poverty incidence among all Philippine regions (5.7%), had the bulk of families receiving cash gifts or assistance from abroad.[11] In contrast, regions with high poverty incidences had low shares of families relying on income from abroad.

Drops in poverty rates of recipient households, on the other hand, have been found to have spillover effects on communities. Studies show that an increase in economic activity driven by remittance flows, as well as direct transfers from OFW households to those without migrant members, have positively resulted in employment and skills transfer. Increase in remittances among Filipino households had lengthened the hours used for productive endeavors, which, in turn, paved the way for greater entry into capital-intensive businesses.[12]

Filipino migrant communities and the monies and other assistance they send to the country have also made substantial contributions to poverty alleviation, particularly in the Philippine countryside. For instance, the LINKAPIL or Link for Philippine Development, has been instrumental in sending donations in support of education, health and welfare, livelihood and small infrastructure projects in the Philippines.[13] Since the project began in 1990 to 2005, LINKAPIL has enjoyed continued support from Filipino diaspora as total donations during the period amounted to PhP 1.88 B. Similar diasporic undertakings supportive of impoverished communities are exemplified by the "Classrooms from Filipinos Abroad" and housing projects under *Gawad Kalinga*.

Despite this positive scenario, remittances to families seem to have limited chance of spilling over as savings, investments and other productive uses. In the hierarchy of priorities of households who rely on remittances as their survival strategy, the basic needs are the logical destination of remittances. As such, savings and productive investments are only given preferential attention if ever there is a remittance surplus. This is the reason why current migration management policies are now focusing on harnessing remittances for domestic development.

The Philippines has institutionalized incentive-based programs designed to encourage migrant workers to plow their dollar earnings back to the

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[10] National Statistics Office (2003).
[11] NSO (2002). 2000 Family Income and Expenditures Survey.
[12] Aguinas (2006). Remittances and Development, Trends, Impacts and Policy Options: A Review of Liternature. Migration Policy Institute.
[13] Commission on Filipinos Overseas (2006).

domestic economy. Since 1985, the *balikbayan* (translated as returning home) program has been intrinsically associated with returning Filipinos who have provided extra impetus to domestic economic activity. The passage of the Dual Nationality Law of 2003 has enabled overseas Filipinos to reacquire lost Filipino citizenship and enjoy incentives that include the right to own private lands for commercial and other productive uses. In the last two years, dialogues with banks and remittance agencies have resulted in more reasonable fees and charges on cash transfers through banks and other formal channels. Substantial transaction costs for remittances, if lowered, can translate to savings and remittance surpluses that can be used for productive activities. For instance, ADB has shown in a study conducted in 2004 that it costs US$ 7 to remit money from the US and Saudi Arabia to the Philippines and that Japan appears to charge the highest cost at US$ 18 per transaction, followed by the U.K. at US$ 13, Italy at US$ 9.50, and Republic of Korea at US$ 9. Hong Kong charges the lowest at US$ 2.60, while Singapore charges US$ 3.90 per remittance.

To further lower remittance costs, there are current efforts to solve problems in sending remittances to the Philippines. While in the early years of managed migration OFWs found it difficult to access remittance services of host country banks, today they can choose from a variety of services offered by Philippine banks, licensed non-bank money transfer agencies, courier and cargo companies, and even ethnic stores that act as agents for banks.[14] New technologies are also enabling clients to send and receive transfers in a wider variety of forms and locations. For instance, systems combining mobile phones and point-of-sale (POS) terminals at retail outlets have been developed to allow clients to move and access transfer funds. The transmission mechanism allows an OFW to remit cash values to his family in the Philippines via a mobile phone and a short-messaging-system or SMS. In turn, the family with only a mobile phone and an SMS costing two cents per message can use the received value to buy goods and services, make bills payments, or transfer cash values person-to-person.

In Hong Kong, the Philippine National Bank or PNB tied up with Citibank and the convenience store chain 7-Eleven in using Citibank technology and 7-Eleven outlets to make OFW remittance more convenient. The tie-up effectively added 480 outlets of 7-Eleven to PNB's nine remittance offices in Hong Kong, allowing Filipinos to send money from virtually any spot here. Introduced in 2003, the facility was well received with 16,000 OFWs initially signing up.

As a result of these innovations, more OFWs now resort to formal channels for remittances. The shift is driven primarily by improvements on cost, speed, and service by banks and money transfer companies; the growing

[14] Sto. Tomas (2005). Remittances: The Wages of Movement. Paper presented at a UN Session on Remittances.

financial literacy of remitters; the closure of unregulated money transfer businesses in the wake of the 9/11 terrorist attacks; and the strict implementation by the Anti-Money Laundering Council of the "know your customer" reporting provision in the law. This provision requires both sellers and buyers of foreign currencies to fill up and sign an application form and to present government-issued identification documents such as driver's license or social security IDs, among others.

Despite the changes, however, informal channels still continue to thrive owing to their lower cost features. While formal money transfers are recorded and reported to government entities, and are thus included in national economic statistics, informal transfers are not. Experts estimate the total value of monetary transfers made through informal channels worldwide is somewhere between 40 and 100 percent of the volume of global formal transfers. For the Philippines, estimates are pegged at 20 to 25 percent of the volume of remittances. These nuances actually mean that there is an enormous challenge for the Philippines to institutionalize collective remittances that can be harnessed for productive investments capable of accelerating economic growth and alleviate poverty.

V. Toward Sustainable Development Gains

The Philippine experience in managed migration has been lauded for having effectively facilitated movement of people amid an environment of protection and welfare, not only of the migrant, but also the family left behind. The country, however, cannot remain complacent. The call to reap development gains from migration while minimizing the costs has grown stronger, and stakeholders are acting now.

There are on-going adjustments in migration programs and services to enhance the competitiveness of Filipino workers as this is seen as critical to the improvement of the overseas employment program as a tool for development. For instance, in two consecutive multi-sectoral summits in 2006 and this year, stakeholders from industry, the academe and government committed to work together to make necessary program adjustments so that the country's human resources are prepared for the demands of the domestic and global market in terms of quantity, skills, and competencies. The Philippines believes that for it to attain the development gains from migration, it is essential that the development agents in the persons of OFWs are well-equipped to compete in the global market. Only by preparing them for global demands, can returns from their deployment overseas be assured.

Presently, intensive labor market intelligence is being done to determine the demand-side particularly in destinations catering to professional and highly-skilled workers and the supply-side particularly on the acceptability of skills and competencies of the workforce.[15] The country is now working toward creating new and higher paying markets in Europe, the Americas, Australia and New Zealand. For these new and higher-end markets, a skills registry and a Global OFW Mapping and Profiling Program are being done so it can be determined whether there is an inexhaustible supply that ensures the viability of the country's migration program and that satisfies the national needs for certain skills or professions.

Consistent with the thrust to pursue markets for the highly-skilled and those that offer decent work opportunities for OFWs, the Philippines is moving away from demands for unskilled labor and for women domestic helpers if the rates of pay are not decent enough and where they become vulnerable to abuse and exploitation. On this premise, the Philippine Department of Labor and Employment issued earlier this year a policy reform raising the minimum salary for household service workers from US$ 200 to US$ 400 per month with no placement fees to be charged to the worker and setting a higher minimum deployment age from 18 to 25.

The same policy also outlines skills and competencies that workers should posses for them to be deployed for overseas work. At the onset, the policy did not receive popular response and was seen as a conscription of women OFWs from working abroad. However, it is emphasized that this policy seeks to set a deterrent to the exploitation of Filipino domestic workers. Now, the policy is regarded by labor-sending countries as a strong message of the country's desire to protect workers, particularly those whose personal and economic circumstances make them vulnerable to the attendant risks of overseas employment.

Nationwide advocacies for the productive use of remittances are also on-going. These initiatives are being undertaken through partnerships with private sector stakeholders such as banks, the academe, training institutions, and government agencies together with OFW Family Circles. The idea is for everyone who plays a role in the migration process to have a consciousness toward contributing to return migration of OFWs. The Philippines believes that overcoming the dependence on overseas employment is not just a matter of economic policy, but also building a culture of savings and productive endeavors in the domestic economy among OFWs and their families.

Seeing that a lot of cash is lost in transaction costs for remittances, there are continuous efforts to develop innovative money transfer systems that can effectively compete with the ingenuity of unregulated remittance systems. In the final analysis, the desired outcome of these innovations would be to enhance the value of remittances so that surpluses may be possible and will be available for productive investments.

[15] Results of National Manpower Summit in 2006, National Human Resource Conference in 2007, and the 2007 POLO Command Conference, Philippines

VI. Challenge to All Migration Actors

These are some of the innovations which the Philippines is undertaking in the management of migration flows. It is recognized that much has yet to be done to enhance the positive, and reduce the negative, effects of labor migration. We strongly believe that well-informed choices by migrants, governments, home and host communities, civil society, and the private sector can help realize the positive potential of migration in social, economic and political terms. We also would like to stress that while unilateral efforts have substantially contributed to the effectiveness of migration management in the Philippines, the very nature of migration makes it necessary for labor-sending countries to actively advocate for support strategies at the receiving countries.

Hence, we look forward to follow-through commitments relative to the ASEAN Declaration on the Protection and Promotion of the Rights of Migration Workers which was forged during the 12th ASEAN Summit in January 2007. We believe that this Charter is a solid first step towards more binding agreements that shall ensure the millions of migrant workers of good working conditions, a decent wage scale and wide legal protection from all forms of abuse and violence.

We are also pursuing support strategies from receiving countries which ensure that the migrant worker acquires advanced knowledge and better skills that may not, otherwise, be gained back home. Receiving countries may also explore the possibility of facilitating remittance flows so that the migrant worker is allowed to save and invest for the future in the source country, and assuring migrant workers of access to technology that will complement the knowledge and skills they have gained. Further, even as we have initiated mechanisms to cut communication costs, receiving countries can also work toward making communication channels between the migrant worker and the source country inexpensive and accessible. Since integration in the host country is a requisite for a migrant to reap the gains from overseas work, receiving countries can establish programs or services which assist the migrant worker to adjust and adapt while in the receiving country so that he or she may comfortably work and gain the necessary knowledge and skills.

We recognize, of course, that part of the equation in the migration for development nexus are the migrant workers themselves. With the environment for overseas work already enriched by support strategies from both the labor-sending and receiving country, we believe that migrants themselves would have to be responsible for managing their effective migration. Once an individual opts for overseas employment, he or she will have to prepare for the challenges ahead through skills enhancement, through savings, through investments, and by adopting a consciousness that overseas employment is merely temporary, and that sooner or later a migrant has to pave his or her way back home.

VII. Conclusion

Ensuring the gains for the migrant worker, their families, their community, and the source and destination countries is now at the core of migration management. Today's discourse is no longer whether or not we should send workers abroad. The reality of global integration simply denies us any option but to facilitate migration flows so that every actor in the migration process gains more than loses.

The Philippines faces that reality by guaranteeing that once it deploys workers, the country shall later on reap the rewards because we have ensured that workers return with advanced knowledge and better skills; that these knowledge and skills acquired abroad are relevant to the needs of the Philippines; and that the workers are willing and have the opportunity to use their acquired skills upon return.

We also find it necessary that policies, strategies and incentives are in place so that temporary migrants are attracted to return to the home country and become potent actors in development. Lastly, our approach sets a framework within which we can continuously advocate for cooperative responses from destination countries so that the gains from circular migration are shared by all and sustained.

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