Migration and Risk: The Philippine Case

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Outline

• Evidence on Remittance as Insurance in Philippine Households
• Which households have OFWS and are receiving remittances?
• Development in Philippine Labor Markets and Migration
• Migration in Philippine Development
• Protecting Migrant Workers
• Programs
  – Deployment
  – Workers Welfare
  – Permanent Workers
• Concluding Comments
Evidence on Remittance as Insurance in Philippine Households

Theory

• Migration one option among many (including risk pooling, building savings or assets, increase labor supply, direct steps at reducing variation in incomes such as crop diversification) as a risk management scheme

• Under plausible assumptions that (a) incomes are more volatile in rural and agricultural settings and (b) financial markets are under developed, migration is a coping mechanism adopted by families to insure themselves against geographic risk; deficiency in the capital markets is partially corrected in the labor market through migration (Stark and Levhari, 1982; Katz and Stark, 1983; Yang and Choi, 2007)
Evidence on Remittance as Insurance in Philippine Households

Empirical Evidence (Yang and Choi, 2007)

• Employed (a) large scale and nationally representative household survey data; (b) rigorous analysis controlling for well known sources of bias such as endogeniety of income to remittances and time-invariant unobserved household characteristics

• Remittances are indeed insurance
  – 60% of exogenous declines in income are replace by remittance inflows
  – As a result, consumption is not affected by income shocks in household with remittances and significantly affected in household without migrants
Which households have OFWs and receiving remittances?

- Households in all income groups have OFWs and receive remittances; increasing proportion for richer households
- Remittances are an important component particularly for those in lower income group

<table>
<thead>
<tr>
<th>Income Decile</th>
<th>Percent with OFW</th>
<th>Percent with remittance</th>
<th>Percent remittance to HH income</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 (poorest)</td>
<td>1.3</td>
<td>0.4</td>
<td>0.2</td>
</tr>
<tr>
<td>2</td>
<td>1.9</td>
<td>0.6</td>
<td>0.6</td>
</tr>
<tr>
<td>3</td>
<td>2.9</td>
<td>1.0</td>
<td>1.0</td>
</tr>
<tr>
<td>4</td>
<td>3.9</td>
<td>1.4</td>
<td>1.5</td>
</tr>
<tr>
<td>5</td>
<td>5.7</td>
<td>2.2</td>
<td>2.4</td>
</tr>
<tr>
<td>6</td>
<td>7.2</td>
<td>3.2</td>
<td>3.9</td>
</tr>
<tr>
<td>7</td>
<td>9.6</td>
<td>4.7</td>
<td>5.9</td>
</tr>
<tr>
<td>8</td>
<td>12.8</td>
<td>6.3</td>
<td>7.6</td>
</tr>
<tr>
<td>9</td>
<td>17.1</td>
<td>9.2</td>
<td>13.1</td>
</tr>
<tr>
<td>10 (richest)</td>
<td>20.8</td>
<td>11.2</td>
<td>18.2</td>
</tr>
<tr>
<td>Total</td>
<td>8.3</td>
<td>7.3</td>
<td>5.4</td>
</tr>
</tbody>
</table>

Source: FIES 2003
Memo: No of HH is 16.5 million
Developments in Philippine Labor Markets and Migration

Rising insecurity in formal sector jobs
- Security for jobs in formal sector are increasingly no longer the case

Figure 3
Share of Nonregular Workers to Total Workers (in establishments employing 10 or more workers), Philippines (%)

Notes: 
\(^a\) Excludes agriculture, forestry, and fishery. 
\(^b\) As the Survey of Specific Groups of Workers was terminated in 1998, 1997 presents the latest available data.
Source: Felipe and Lanzona (2006)
Developments in Philippine Labor Markets and Migration

• Unemployment levels not returning to pre-crisis levels despite respectable economic growth

• International migration an option considered in human capital investment decisions as indicated by the rise in enrolment in medical (particularly, nursing and physical therapy); and IT courses

• Widening (more households, more villages) and deepening (more members in a household) networks of migrants; villages are in fact renamed after destination countries of migrants – e.g. Little Italy (Asis, 2007))
Migration in Philippine Development

Internal Migration

- Between 1960-2000, urban population grew 4 times while rural population only doubled; but growth of urban population, rate of urbanization and urban concentration in the capital has slowed down in recent years.

- Contribution of migration to urban growth after a significant decline in the 1980-1990s saw a resurgence in the 1990-2000; contribution of natural increase consistently accounts for about half of urban growth.

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<thead>
<tr>
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<tbody>
<tr>
<td>Net Migration</td>
<td>17.6</td>
<td>2.6</td>
<td>28.7</td>
</tr>
<tr>
<td>Natural Increase</td>
<td>54.2</td>
<td>47.9</td>
<td>56.0</td>
</tr>
<tr>
<td>Reclassification</td>
<td>28.2</td>
<td>49.5</td>
<td>15.3</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
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Source: Racelis (2007)

Reclassification - from reclassifying previous rural areas into urban areas.
Migration in Philippine Development

Internal Migration

• The dampened contribution of migration on urban growth in the 1980-1990s was attributed to lack of structural transformation (Pernia and Israel, 1994); and return (urban-to-rural) migration (Perez, 1998)

• Migration to urban areas still continues to be predominantly female (with male to female ratio of about 0.7) and generally younger relative to the non-migrant resident population in destination areas
Migration in Philippine Development

International Migration

- 8 million migrants (or about 10% of population) as of 2006 (3.6 million (43%) permanent, 3.8 million (46%) temporary, 0.9 million (11%) irregular) in 200 countries; among the top three sending countries
Migration in Philippine Development

International Migration

- Philippines the manning capital of the world accounting for 20% of the world’s seafarers
- 17 billion USD in remittances or about 12% of GDP in 2007; bigger than share of many traditional industries (e.g. mining; electricity, gas and water; construction; transport and communications; finance)
- Increasing feminization; majority (64% in 2002) are college graduates
Migration in Philippine Development

Is government promoting migration flows to ease unemployment pressure and foreign exchange shortage?

- For outside observers, no doubt; within country some are still in denial
- In the 1970s, there was a clear push
- In the 1990s, there was a turnaround – only a temporary stop-gap measure; will not promote overseas migration to sustain economic growth
- Today – this stance is increasingly in doubt
  - There an official target on deployment (1 million workers annually)
  - There are clear moves to develop the refutation of being a good and reliable source of quality workers – push for more training and screening
  - Expand bilateral FTAs to include arrangements on worker flows
Protecting Migrant Workers

• Institutions built over 30 years of experience in deploying workers
• Have institutions established to manage virtually every aspect of migration; Philippines considered a global model of managing the exodus (IOM, 2005)

• **Deployment** – Philippine Overseas Employment Administration (POEA) – regulation of the more than 1,000 registered private recruitment and manning agencies

• **Workers and their Families’ Welfare** – Overseas Workers Welfare Administration (OWWA) – mandate include delivery of welfare services (including repatriation in cases of war, epidemic, natural calamities) and managing the fund collected from contribution of overseas workers (USD25) to finance a package of benefits
Protecting Migrant Workers

• **Screening prospective employers** – destination country desks (Philippine Overseas Labor Offices (POLO)) in embassies in 34 countries where large number of Filipino migrants are employed — the on-site labor department’s arm in administering and enforcing international labor policies and programs particularly screening potential employers; labor attaché perform function in other countries where POLO does not exist

• **Permanent migrants** – Commission on Overseas Filipinos (COF) – welfare of permanent migrants, work to preserve social, economic and cultural ties of overseas Filipinos with their mother land
Protecting Migrant Workers

• The current official thrust is to protect Filipino workers even if it comes at the expense of increased employment; designed to make labor export strategy more politically acceptable

• NGOs – advocate for protection of the rights and promotion of welfare of migrant workers
Programs on Deployment

- **Regulation** of recruitment and manning agencies
- **Standard employment contract** stipulating terms of employment (e.g. for domestic helpers); processing of papers are made contingent on stipulated terms
- Policy issue: Move towards less regulated migration flows, e.g. state will no longer intervene on the employment contract and treat it as a private contract between workers and employers, law passed on this; may not have favourable impact, particularly, for unskilled workers
- **Bilateral labor agreements and MOUs**; 22 signed so far
Programs on Deployment

• **Pre-departure Orientation Seminar** (PDOS) on laws and culture of destination country, rights and obligations as workers, coping strategies; provided by accredited private institutions, NGOs, and recruitment agencies

• Defined characteristics of **eligible destination countries**:
  – Has laws protecting rights of migrant workers;
  – Signatory to multilateral conventions on the protection of migrant workers
  – Has existing bilateral arrangement with the Philippines
  – Taking concrete steps to protect the rights of migrant workers
Programs on Worker’s Welfare

For deployed workers (for a 25 USD fee, membership lasts till expiration of contract):

• Life insurance on top of and separate from employers’ insurance
• Disability and dismemberment benefits
• Burial expenses
• Scholarship programs
• Pre-departure loans for processing fees and pre-departure expenses
• On-site training for skills upgrading
Programs on Worker’s Welfare

For displaced workers - counseling, skills training, information on savings and investment options, business development and livelihood assistance, educational for assistance for children of displace workers, and information on alternative job opportunities abroad

• Workers’ Resource Centers
  – Halfway house for abused workers who have left employers or lost jobs
  – Provides counseling and legal services, medical services, training and skills upgrading
Programs on Worker’s Welfare

Returning workers - Reintegration/Re-entry programs

• Balikbayan Act of 1989 and RA 9174 provides for benefits for returning overseas workers including travel tax and duty free importation of good, personal and household items for resettlement, capital equipment use in an enterprise.

• Citizenship Retention and Reacquisition Act of 2003 permit Filipinos who have become citizens of other countries to enjoy dual citizenship

• Balik Scientist Program – program of foreign based Filipino science and technology experts to return and reside in the Philippines to share their experience
Programs on Worker’s Welfare

Returning workers - Reintegration/Re-entry programs

• Livelihood program – training in entrepreneurship and credit for returning or repatriated overseas workers

• Reintegration Center for OFWs – consolidates and administers programs and services for returning migrant workers to assist them reintegrate in the mainstream of Philippine Society
Programs for Permanent Migrants

• **Migrant social and economic integration** – pre-departure assistance, guidance and counseling, post-arrival services

• **Filipino education and heritage** – continued exposure to Philippine history, culture and institutions for succeeding generation of migrants

• **Filipino unity and national development** – support for overseas Filipino communities and facilitate flow of assistance for national development
Other programs

- Voting rights
- Anti-human smuggling
Summary and Concluding Remarks

• Factors making migration a viable option for risk management:
  – Deteriorating domestic labor market conditions including rise in job insecurity and high unemployment despite respectable growth;
  – Human capital investments that already considers the international labor market;
  – Improving institutional support (both public and private) resulting in declining risks in international migration
  – Widening and deepening migration household/community networks making migration less costly for the migrant

• Many programs assisting overseas workers but no definite conclusion on effectiveness

• Is the move toward deregulation indicative of over regulation?