Overseas Filipino Workers’ Remittances: Concepts and Measurement

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Outline of Presentation

OFW REMITTANCES

A. Contribution of Remittances to the Economy
   ▪ Trends

B. Profile of Remitters
   ▪ Stock
   ▪ Deployment

C. Statistical Measurement of Remittances
   ▪ BOP component (Income and Current Transfer)
   ▪ Estimation Method
   ▪ Data Sources
Outline of Presentation

STATISTICAL ISSUES

FUTURE DIRECTION
Contribution of Remittances to the Economy
## VALUE OF REMITTANCES

<table>
<thead>
<tr>
<th>Year</th>
<th>Level (in US$ Bil)</th>
<th>Growth Rate (%)</th>
<th>Remittances as % of:</th>
<th>GDP</th>
<th>XGS</th>
<th>FDI</th>
<th>GIR</th>
<th>DSB</th>
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</thead>
<tbody>
<tr>
<td>2002</td>
<td>6.89</td>
<td>14.2</td>
<td>9.0</td>
<td>18.2</td>
<td>446.6</td>
<td>42.1</td>
<td>88.7</td>
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<tr>
<td>2003</td>
<td>7.58</td>
<td>10.1</td>
<td>9.5</td>
<td>19.6</td>
<td>1,543.4</td>
<td>44.4</td>
<td>95.3</td>
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<tr>
<td>2004</td>
<td>8.55</td>
<td>12.8</td>
<td>9.9</td>
<td>20.0</td>
<td>1,242.7</td>
<td>51.7</td>
<td>118.5</td>
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<tr>
<td>2005</td>
<td>10.69</td>
<td>25.0</td>
<td>10.8</td>
<td>23.9</td>
<td>576.5</td>
<td>57.8</td>
<td>142.2</td>
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<tr>
<td>2006</td>
<td>12.76</td>
<td>19.4</td>
<td>10.9</td>
<td>24.7</td>
<td>544.2</td>
<td>55.6</td>
<td>161.5</td>
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<tr>
<td>2007</td>
<td>14.45</td>
<td>13.2</td>
<td>10.0</td>
<td>25.0</td>
<td>493.5</td>
<td>42.8</td>
<td>202.0</td>
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<tr>
<td>2008</td>
<td>16.43</td>
<td>13.7</td>
<td>9.7</td>
<td>27.9</td>
<td>1,080.7</td>
<td>43.7</td>
<td>220.6</td>
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<tr>
<td>2009</td>
<td>4.06 (Jan-Mar)</td>
<td>2.7</td>
<td>-</td>
<td>26.9(Jan)</td>
<td>16,162.5(Jan-Feb)</td>
<td>10.4(Jan-Mar)</td>
<td>235.8(Jan)</td>
<td></td>
</tr>
</tbody>
</table>

1/ Cash remittances coursed through the banks
OF remittances sustain growth

<table>
<thead>
<tr>
<th></th>
<th>Levels (US$ million)</th>
<th>Growth Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remittances</td>
<td>14,450</td>
<td>16,427</td>
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<tr>
<td>By Worker:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sea-based</td>
<td>2,236</td>
<td>3,035</td>
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<tr>
<td>Land-based</td>
<td>12,214</td>
<td>13,392</td>
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<tr>
<td>By Country:</td>
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<td></td>
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<tr>
<td>Asia</td>
<td>1,543</td>
<td>1,884</td>
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<tr>
<td>Americas</td>
<td>8,244</td>
<td>9,213</td>
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<tr>
<td>Oceania</td>
<td>122</td>
<td>149</td>
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<tr>
<td>Europe</td>
<td>2,352</td>
<td>2,659</td>
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<tr>
<td>Mid East</td>
<td>2,172</td>
<td>2,503</td>
</tr>
<tr>
<td>Africa</td>
<td>16</td>
<td>18</td>
</tr>
<tr>
<td>Others</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

*/ Cash Remittances coursed through banks
Source: BSP
Profile of OFW Remitters
STOCK of OFWs
in million

Source: Commission on Filipinos Overseas, DFA
Skills Diversification

Source: Philippine Overseas Employment Administration (POEA)
Geographical diversification

Note: Flow data
1/ Flow of OFWs during the year
Source: Philippine Overseas Employment Administration (POEA)
Channels of Remittances
Modes of Money Transfer

- Banks
- Non-Banks (e.g., door-to-door services, stores, money transfer operators, etc.)
- Others (e.g., brought home by workers or padala)
Statistical Measurement of Remittances
Remittances as BOP Component

Income Account (under Compensation of employees)

- include transactions of OFWs who are working for less than one year in the host economy and are classified as resident OFWs (sea-based and performing artists).

Current Transfer Account (under Workers’ remittances)

- include transactions of OFWs who are working for one year or more in the host economy and are classified as non-resident OFWs (all land-based workers except performing artists).
Estimation of Remittances in the BOP

Cash Remittances (coursed through banks) → (Multiplied by the raising factor) → Total Cash Remittances (coursed through banks and informal channels)

Gross compensation of resident OFWs (sea-based and performing artists) (under Income Account) = stock of resident OFWs * average salary

Non-resident OFWs’ Remittances (land-based workers excluding performing artists) (under Current Transfers Account) = Total cash remittances less cash remittance of resident OFWs (Residual)
Stock of OFWs

Monthly updating based on a moving total:

\[ \text{Stock}_{t=1} = \text{Stock}_{t=0} + \text{number of deployed}_{t=1} - \text{number of workers with finished contract} \]
Compensation of Employees  
(Income Account)

- **Seabased workers**  
  \[ CE_{\text{Sea-based}} = \text{Remittances} \div 0.80 \]  
  (Contract requires remittance to beneficiary of 80% of basic salary)

- **Performing Artists**  
  \[
  CE_{\text{Performing Artists}} = \left[ \text{Stock of workers } t=0 \times \text{average salary per worker } t=0 \right] + \left[ \text{no. of deployed } t=1 \times \text{average salary per worker } t=1 \right] - \left[ \text{no. of workers with finished contract } \times \text{average salary per worker prevailing at time of their employment} \right]
  \]
Workers’ Remittances
(Current Transfers)

Residual of total remittances in cash after deducting implied remittances of resident OFWs
Sources of Data

- Cash remittances: Bank reports
- Undercoverage ratio: Survey of Overseas Filipinos
- Remittances in kind: Survey of Overseas Filipinos
Limitations

- Includes cash transactions only
- Does not indicate purpose of remittance
- Small amount transactions are reported in lumped sum
- Does not capture funds sent outside the banking system
- Country of origin may not reflect the real source of remittance
Survey Of Overseas Filipinos (SOF)

The SOF is a nationwide survey that seeks to gather information on Filipino citizens who left for abroad during the last five years.

A rider survey to the 3rd quarter round of the Labor Force Survey
Limitations

- The SOF does not ask for the total salary received by the OFWs.
- The sampling design is not intended solely for OFWs.
Statistical Issues

- Need to harmonize definition of residence with the SNA.
- Present system of monitoring headcount of migrant workers has limitations:
  - Difficulty of monitoring those with no valid work documents/those counted as tourists upon departure.
  - Upward bias in headcount due to: mobility of workers in landlock countries; returning workers with unexpired work contract not covered in estimation; and those frequently on vacation.
- Need to measure the expenditures of Filipino tourists abroad.
Future Direction

- Strengthen current system of monitoring headcount of migrant workers
- Expand collaborative effort with the POEA to disaggregate OFW database, particularly on:
  - monthly salary by skill
  - data on deployment of re-hires
- Improve sampling design of SOF
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