CHAPTER 5.

MIGRATION POLICIES, REMITTANCES AND ECONOMIC DEVELOPMENT IN THE PHILIPPINES

by

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Introduction

The Philippine Overseas Employment Program (OEP) was institutionalised in 1974 with the enactment of the Philippine Labor Code. Regarded as a temporary programme or a stop-gap economic measure to address the high unemployment rate during the Marcos era, the programme eventually became an important fixture of national policy because of the recognition of the role of international labour markets in containing the problem of local unemployment. With overseas employment taking away a big percentage of the new entrants to the labour force and the billions of dollars that overseas Filipino migrant workers pump into the economy through their foreign exchange earnings, overseas employment has slowly been recognised as a development strategy of the Philippines. The decision to mainstream the programme into the development agenda of the medium-term development plan, and the increasing call for a deliberate policy to capitalise on the overseas Filipino worker as a real asset to the economy, support this emerging perspective.

Development tool

An article on the overseas Filipino workers entitled "Workers for the World" that appeared in the 4 October 2004 issue of *Newsweek* posed the provocative question: Is migration a real development strategy? Dr. Bernardo M. Villegas, a leading Filipino economist, responded that if the question had been asked twenty years ago, the answer would have been a categorical *No* because a real development strategy at that time would have been an all-out effort of government to develop the countryside and the agricultural sector, which unfortunately was not pursued. What was adopted instead, according to Villegas, was the industrialisation strategy that failed to bring about the desired economic development.

Poverty and unemployment drove millions to seek jobs abroad, with the majority coming from the bottom of the social strata. From a modest level of 36 035 workers in 1975, contract migration of Filipinos rose to 933 588 in 2004, with foreign remittances increasing annually in direct proportion to the leap in the number of workers who left on contractual employment overseas every year. The *Bangko Sentral ng Pilipinas* (BSP) figures showed that the cash transfers in 2004 breached the USD8 billion mark, an 11.3% increase from 2003. With a steady rise in the inflow of dollar earnings, the Philippine economy would be deflated if the outflow of migrant workers were stopped. Under the present administration, government continues to provide overseas employment as an option, setting the goal of facilitating 1 million jobs a year. The jobs are designed to provide economic relief to those who are unemployed, particularly those who come from the poverty-stricken zones of the country, to help contribute to development in the rural areas.

However, there are contrasting views on using remittances as a tool to promote growth and development. In some quarters, remittances are considered as an impediment to development because they drive the recipients to excessive domestic consumption, rather than savings and investment, and because of the "dependency syndrome" which limits the productivity of the beneficiaries. On the other hand, there are those who believe in the huge potential of remittances in helping the recipient country to reach its development goals. The BSP, for example, cites the importance of remittances in providing the economy foreign exchange resources and contributing to a stronger balance of payments. The bank added that remittances held as deposits in the banking system have a two to three times multiplier effect on the economy, and these funds can be channelled to investments, including small businesses.

Optimising the gains of migration

The Philippine Republic Act No. 8042, also known as the Migrant Workers and Overseas Filipinos Act of 1995, declares, among other things, that "The State shall, at all times, uphold the dignity of its citizens whether in the country or overseas, in general, and Filipino migrant workers, in particular". Following this declaration, the State acts to ensure that the benefits and gains of overseas migration are optimised, and the risks and social costs are minimised. This policy is concretised through programmes that are devoted mainly to migrant workers and carried out in all phases of the migration process – pre-employment, on-site employment and post-employment – in partnership with the private sector, non-governmental organisations, church groups, educational institutions, media and other programme stakeholders.

Migrant workers, the state believes, should be empowered through education and counselling programmes so that they can make well-informed and wise decisions before they embark on an overseas stint. Through pre-employment and pre-departure orientation courses, the prospective migrant worker learns the realities of working in a foreign land that is miles away from home, and the benefits and risks of migration. He/she undergoes value re-orientation, and learns his/her rights and duties and obligations as an overseas Filipino worker. He/she is taught how to cope with distressful situations and is advised to attend training sessions on HIV/AIDS for health information. Resource speakers provide counselling sessions on reintegration; they counsel workers and families on entrepreneurship, and encourage saving and investment of part of their earnings and the use of formal channels in the transfer of cash earnings, with the advice to remit regularly at least 70% of their monthly wages as part of their obligation to the family they leave behind.

Workers remain within the reach of government protection through the various Philippine missions abroad and overseas labour offices. Seasoned labour attachés, social workers and doctors help ensure that the migrants are not exploited through onerous employment contracts and that their basic human rights not abused by the employers. The overseas officers regularly monitor the migrants' work conditions, and provide assistance and relief in case of welfare and legal problems. In countries where there are huge concentrations of overseas Filipino workers, human resource development centres are established as venues for training courses on entrepreneurship, skills upgrading classes, and for savings mobilisation sessions that are conducted with volunteer migrant associations. The migrants are once again reminded of the need to prepare for eventual retirement at the end of their contractual employment.

Cognisant of the need to provide assistance to returning workers, the state lists a line-up of livelihood programmes, investment opportunities and financial literacy training to improve understanding of banking and other financial information. Loan programmes are made available to those who are interested to start small businesses, and a subsidy programme for cost of machines and tools, such as tractors, farming devices, automotive equipment and carpentry tools, is offered for livelihood projects.

The wide range of government intervention can be seen throughout the entire migration chain to optimise the positive impact of migration. But government merely lays the programmes before the intended beneficiaries; the ultimate decision to avail of the services lies with the migrant and the family whose right to use the hard-earned earnings and remittances as they please is recognised fully by the state.

Impact of remittances

In a country where as much as 10% of the population are overseas workers, the desire to leave for better opportunities in labour-short economies is primarily economics-driven. A recent survey conducted on the earnings of Filipino migrant workers revealed that every overseas Filipino worker had three great wishes or dreams: 1) to have enough food on the table, 2) to send his/her children to school, and 3) to build a house for the family: in that order of priority. Unfortunately, setting up a business and mounting livelihood projects are not among their top priorities, perhaps because migrant workers are not exactly entrepreneurial by nature and because they perceive access to financing as difficult. The same study stated that realisation of the three aspirations gave the migrant the full reward for his/her hard toil on foreign shores.

Invariably, the question is asked: Has migration improved the quality of life of the migrant and his/her family? Economic theory postulates that overseas employment of nationals poses benefits to the sending country, and subscribing to this theory, Philippine economist Gonzalo Jurado cited the benefits to include the increase in the household income of the migrant worker, the multiplier effect such an increase has on the community, relief from unemployment and improvements in the country's balance of payments. Looking at the accounts of how remittances have improved the lives of Filipino migrant workers, the answer is positive. With an average monthly income that is about 45% higher than the minimum monthly wage, overseas Filipino workers and families are better off when compared with households whose incomes are derived from domestic employment. As dollar earners, overseas workers have been observed to enjoy the high regard of the community that subconsciously elevates them to a higher level of the social strata. With their foreign earnings, they are able to send their children to the best colleges and universities in the country, and most importantly, they have built homes for their families. The modest houses that have mushroomed in the countryside, furnished with the core household appliances, are evidence of the comfortable life that many migrant workers lead.

But beyond the impact of foreign remittances on the migrant workers, how has migration contributed to economic development? Economists were of the opinion that government would have been forced to declare a recession during the Asian financial crisis had it not been for the remittances. Foreign cash transfers have propped up domestic consumption, especially during times when export markets were weak. The multiplier effect of this consumption in the business sector is quite overwhelming. Consider, for instance, the multiplier effect of the building of hundreds of migrants' houses on the construction industry and on the peripheral businesses. Business people have acknowledged the contribution of remittances to the boom in small industries, and to the sustained growth in the retail and wholesale trade and services sector. Remittances have likewise contributed to the growth in the telecommunications sector that continues to attract and marvel consumers with the latest gadgets in mobile communication. Speculative data show that personal spending in transportation and in other industries like food, education, garments, shoes, insurance, pre-need, transportation, communication, real estate, tourism, cinema, etc, has given major impetus and boosted to economic development.

An assessment of the impact of migration, however, does not finish without addressing the third dimension: Have remittances alleviated poverty? Has migration improved the life of the Filipino people? A recent study by the Asian Development Bank (ADB) in Manila on the remittances of Filipino migrants pointed out that migration and remittances, particularly, have failed to help alleviate poverty and to improve the life of Filipinos, and that only a small segment of society, namely the migrants and their families, have benefited from the overseas employment programme. The study suggested that the remittances have only succeeded in promoting excessive spending for non-essentials and not in productive endeavours. But the author joins the rest of people who maintain that the multiplier effects of consumption behaviour are in themselves indicative measures of the positive impact of migration, because the increase in the demand for goods and services that they generate, and the production of indirect investment such as on health, education and housing have a major impact on human development.

But should remittances be regarded as the main engine for economic development? What if there were no migrant workers and therefore, no billions of dollar remittances to speak of? Would development come to a standstill? Is there any other role for migration in development other than as a source of remittances?

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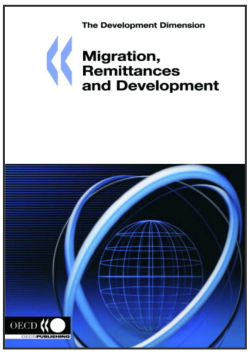

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