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**The Wage Structure of  
Overseas Filipino Workers**

*by*

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## Abstract.

Labor-importing countries adopt differing immigration policy on foreign workers. They all restrict the number allowed entry and many set wage ceilings at levels below the wage paid the native workers. The differing restrictive immigration policies result in the segmentation of the world labor market and large inequality in wage rates for any one occupation or skill. The paper presents a simple model of wage and employment determination for observable variants of immigration policy followed by the major destinations of OFWs, in particular North America, Asian tiger economies and the Middle East. It estimated wage functions by regression using individual overseas workers data with human capital (schooling and experience), sex, occupation and destination as arguments. Excepting for completed college, schooling is found not to be a significant explanatory variable. The other variables exerts their expected influence in a significant way but destination proves to have the strongest influence on foreign wage. The paper concludes that would-be OFWs are unable to choose the best destination partly because of immigration restrictions and partly because they do not meet the qualifications required. Examples are ICT and nursing occupations. There is a proliferation of academic programs for these occupations but their generally poor quality disables the country from responding to the foreign demand for these skills.

# The Wage Structure of Overseas Filipino Workers

*Edita A. Tan\**

## **Introduction**

Close to eight million Filipinos resided abroad in 2003, 2.87 million as permanent emigrants and 4.90 million as migrant workers, popularly referred to as overseas Filipino workers or OFW. (Appendix Table 1) The two groups comprised about 9% of the population. The permanent migrants have settled mainly in the US and Canada which have absorbed 2.34 Million with the rest in other advanced economies such as Japan, Australia and Europe. The OFWs were employed in varied occupations and in varied destinations encompassing all the world's continents. They formed two big groups, the land-based and the seamen who respectively numbered 4.68 Million and .216 Million. This large stock of Filipinos overseas resulted from an accumulation of continuous emigration since the 1930s for either permanent settlement or for temporary employment that had been extended for several years or even changed to permanent status. In the beginning of the last Century, agricultural workers left for Hawaiian and California plantations. In the immediate post-WWII, engineers and other skilled labor found employment in American military bases in the Asia Pacific region such as Guam and Okinawa. The liberalization of the US immigration policy in 1965 has allowed a regular, albeit restricted, entry to America for family reunification and employment in selected occupations. Subsequently Canada and Oceania began to allow entry of a relatively small number of skilled Filipino workers. The outflow to these destinations has been restricted to only about 50,000 per year in the past decade. It comprised a small fraction of the total outflow, largely of migrant labor, which has reached 868,000 in 2003.

Large scale labor migration of labor began in the mid 1970s with the opening of the Middle East market. (Appendix Table 2) From 36,000 in 1975, the number of workers departing each year continually increased as they found employment in more varied occupations and in more varied destinations. When the construction boom in the Middle East started to slow down, jobs were obtained in the East Asian tiger economies whose labor markets were experiencing tightening labor markets. Currently they are reported to be scattered in some 190 country destinations. The Middle East has, however, remained a most important destination. In 2001, 34.4% of the outflow was for the Middle East, 32.3% for Asia and 23.5% for various international shipping companies. Only 2.0% was for America and 5.1% for Europe. Note that the stock of OFWs is close to 4 times the yearly outflow since a large proportion of them have been able to renew their short-term contracts, usually two years, once or more times. In fact over the 2000-2003 period, less than 40% of departing OFWs were new hires, the rest were rehires or returning to their foreign jobs. Our survey shows that on average, the latter have worked abroad for an average of 7 years. Bagasao, et al. (2004) found the

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\* Professor Emeritus, UP School of Economics. Two people collaborated in the research: Ms. Helen Barayuga, Director of POEA Electronics Data Processing Office, developed the sampling design and supervised the surveys and encoding and Ferdinand Co, Information Technology Officer of the UP School of Economics, helped process the raw file and run the regressions. Gloria Lambino rendered her usual excellent secretarial assistance. PCED provided financial support especially for the surveys and data processing.

average stay abroad of their sampled OFWs who were here for the Christmas holidays in 2003 was about 5 years.

Filipinos enjoy freedom to migrate internally and externally. Labor migration is essentially a family decision aimed at maximizing expected economic benefits or returns. Some economists (Stark 1991) argued that labor migration might be partly a risk-avoidance strategy as families try to diversify the sources and locations of their income. Migration, however, entails its own risk as evidenced by the experience of OFWs. According to the Philippine Overseas Employment Administration, POEA which keeps track of problems encountered by OFWs, there were significant occurrences of contract violations, fraudulent job placement, physical violence and poor working conditions. (Tan, 2002, 2004a). Migration may also be a means of diversifying investment. Generally, it entails substantial costs for job placement, transport and various departure fees. Many migrant families are reported to have sold assets and/or borrowed to finance migration cost. The whole family bears the psychic cost of separation and shares in any problem encountered by its migrant member.

Foreign wage, working condition and quality of social and physical environment for each occupation differ between destinations, not necessarily in line with competitive compensating wage differential for work hazard. Foreign wage may be negatively related to work hazards and positively to quality of work and living environment. The US, for example, offers the highest wage and the best working and social conditions while the reverse holds for some Middle East destinations. The structure of foreign wage and working conditions are taken to be the result of foreign labor market segmentation that arises from restrictive immigration policies of labor-importing countries. Countries adopt different forms of restrictions on foreign workers that act as barriers to labor mobility and competitive compensation setting. Each government decides on the number of foreign workers of specific skills to be allowed entry, their wage and whether or not to extend to them the guarantees of human rights and the protection of domestic laws. Only a handful of labor-importing countries have ratified the ILO convention on migrant labor.

Immigration barriers tend to give labor-importing countries some monopsony power over foreign workers. The power goes beyond that created by geographic barriers that isolate small distantly located labor markets, e.g. the market for nurses. (Sullivan 1989, Hirsch and Schumacher 1995). The paper presents a simple model illustrating the monopsony impact of restrictive immigration policies on employment and wage rate. Variation in immigration policy leads to variation in wage rate paid to a given skill category and to net returns to migration among migrants.

Two surveys were conducted to obtain data on wage rates of land-based OFWs, one on newly hired OFWs or new hires, another on OFWs who were returning to their foreign jobs or rehires. For new hires, the data was obtained from the information sheet that each departing OFW has to fill up when his foreign employment contract is processed for approval and certification by POEA. <sup>1</sup> A certificate of POEA approval of his

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<sup>1</sup>The POEA is charged with responsibility for developing policies and strategies aimed at protecting OFWs in their job placement, immigration procedure and at their work place and promoting foreign employment. The POEA sets standard placement practices, placement fee ceilings and minimum foreign wage rates by occupation. It screens placement agents before they are registered and investigates and punishes agents for recruitment abuses filed against them. Foreign employment contracts have to meet minimum standard wage rates and working

contract is needed for immigration purposes and for registration as an OFW. Registration provides him with death and disability insurance and other protective services. A random sample of 12,679 information forms was drawn from a population of 250,000 forms filed by new hires who left the country in January to March 2003. For rehires, a sample of 1,988 was drawn from those waiting for their POEA certificate. The survey was conducted during the second and third week of May 2004. The sampled rehires were asked to give more information than was asked in the information sheet for new hires. (Appendix A for the questionnaire and Appendix B for the sampling).

The paper is organized as follows: Section 2 integrates migration into education/training decision in an open labor market. Earlier migration theory mainly looks at migration decision by itself. (Ehrenberg and Smith 2003, Mincer 1978, Stark 1991) Section 3 discusses a model of monopsonistic employment and wage setting for foreign workers. Section 4 presents descriptive statistics from the surveys and Section 5, the regression results of the wage function. Section 6 concludes the study with some policy prescriptions especially on quality of education/training.

## Section 2. Schooling and Migration Decisions

The Philippines labor market may be reasonably characterized as an open one. There are minimal restrictions on labor outflow except for protective reasons when risk to life has become palpably high as in Iraq presently. (October, 2004)<sup>2</sup> The scale of outflow and stock of OFW have for years been large enough to be perceptible to large segments of the population, making foreign employment a relevant option in their job and skill choices. Skill is defined here as an occupational skill obtained through education/training and experience. On the aggregate, foreign employment has raised returns to education since most foreign jobs require high school or higher levels of education. The large wage and cost differentials in foreign employment across skills and destinations have changed the relative returns to categories of education/training. Returns depend on foreign-domestic wage differentials, migration-related costs, duration of foreign employment and the probability of foreign employment. The formula for estimating returns to migration is as follows.

$$\sum_{t=0}^T D_t P_f Y_{ft} - \left[ \sum_{t=0}^T D_t P_d Y_{dt} + \bar{C} + s(1 - P_f) + C_p \right]$$

Where

$W_f$  = foreign wage

$W_d$  = domestic wage

$P_f$  = probability of foreign employment

$P_d$  = probability of domestic employment

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conditions. POEA certification of approval of the contract is required for immigration purposes. The certification process allows the POEA to keep track of outgoing OFWs thus letting it provide relatively accurate information on the outflows. However, it has not kept track of returning OFWs. The Department of Foreign Affairs Commission on Filipinos Overseas makes the estimates on stock.

<sup>2</sup>Since March 2004, the government has prohibited deployment of labor to Iraq. However, some OFWs in neighboring countries are reported to transfer to Iraq where they are offered higher wages. OFWs may also get a contract for another destination but proceed to Iraq via this destination. News media report that some 6,000 OFW are now in Iraq.

$\bar{C}$  = fixed cost of migration for transport, placement services, immigration processing cost

$C_{js}$  = cost of job search =  $s(1-P_f)$

$C_p$  = psychic cost and risk premium assumed fixed

$T$  = is duration of foreign employment,  $t$  is time period

$D_t$  = discount factor, =  $1/(1+r)^t$

$d$  is domestic,  $f$  is foreign

Generally  $P_f \geq 0$ ,  $P_d > P_f > 0$ .

Returns increase as wage differential, probability of foreign employment,  $P_f$ , and its duration,  $T$ , increase, and fall as  $s$  and any of the fixed cost components increase. An increase in the probability of foreign employment increases wage gain and reduces the cost of job search. The probability of foreign employment may be inferred from the number of new hires or total deployed relative to the labor force and market studies. There are many skills that at this time have close to zero foreign employment chance, e.g., legal skills, but there is supposed to be a large demand for or even a shortage of nurses and high-level ICT skills especially in high-wage economies such as the US and Canada. (Khadria, 2001, Biao Xiang 2001, Shields 2004) But while high wages may be earned in these countries, the probability of employment for most other skills is small. The Middle East may pay lower wages but employs more OFWs. Hence the probability of employment there may raise the expected returns to levels competitive with the higher-paying destinations.

When foreign jobs become available for a particular skill, those in the labor force with the skill may directly decide to migrate. Those in the labor force without the appropriate skill may consider investing in the skill. The youth, on the other hand have to invest first in education/ training,  $ET$ , before they can respond to foreign demand.  $ET$  decision is more complex as the choices are wider, not just to migrate or not to migrate but which skill to invest in. A person's  $ET$  choice set is bounded by financial constraints and his ability and personal taste (or inclination for different types of occupations, e.g., service oriented, sciences, arts and what he can afford to pursue). He is assumed to assess or estimate returns to each skill in the set and choose the one that promises the highest returns. The above formula is applicable to the choice of education/training categories and even to alternative foreign destinations. The returns to  $ET_i$  relative to  $ET_j$  depend on their wage differential in foreign and domestic employment, in the probability of their foreign employment and in their  $ET$  costs.<sup>3</sup>

The supply of skills to foreign markets has reservation wage on the vertical axis which is interpreted here to be the second term in the returns formula. Foreign wage must at least equal foregone domestic income and all migration-related costs plus risk premium and psychic cost in order to make migration worthwhile. Psychic cost is assumed to differ between individuals. Variation in psychic cost will result in a positively sloped supply curve to foreign employment.

<sup>3</sup> Formula for education choices  $i, j$

$$\left[ \sum_{t=0}^T D_t P_{fi} Y_{fit} - \sum_{t=0}^T D_t P_{fj} Y_{fjt} \right] - \left[ \sum_{t=0}^T D_t P_{di} Y_{dit} - \sum_{t=0}^T D_t P_{dj} Y_{djt} \right] - \left[ \bar{C} + s(1 - P_{fi}) - s(1 - P_{fj}) \right] - \left[ C_i^{ET} - C_j^{ET} \right]$$

The responsiveness of the domestic market to foreign demand for a given skill will depend on the size of the stock of the skill and the degree of flexibility of the education-labor market in producing it. Clearly the larger the stock, the larger the potential supply for foreign markets. In the intermediate term, the labor force without the appropriate skill may decide to invest in acquiring the skill demanded through additional education/training. Acquiring a new skill entails additional ET cost which has to be added to the total cost of migration. There may even be de-skilling which has happened with engineers accepting technician level foreign jobs, new medical graduates taking nursing courses in order to qualify for foreign nursing jobs and teachers working as nannies. Shifts between related fields such as from medicine to nursing will be less costly than shifts between broadly differentiated skills such as law to medicine or teacher training to engineering. The parameters of the long-run supply of a skill – its position, size and elasticity – will reflect the relative cost of the ET it entails, the relative scarcity of the ability and desirable traits it requires and the level of prestige society places on it. The supply parameters are likely to differ between skills. The more costly the ET of a skill and the higher the ability it requires, the smaller the size and elasticity of the supply curve. On the other hand, the demand curve for each skill is assumed to follow marginal productivity theory.

### Section 3. World Wage Structure and Wage Function

Consider a rich but closed economy. Its restrictive immigration policies confine the country's labor market to its own domestic demand-supply conditions and shield it from foreign labor market influences. It determines its own wage and employment structures. Suppose it decides to import labor of particular skills, say ICT experts and housemaids. Figure 1a and 1b give the rich economy's and the world's initial supply and demand curves for ICT workers and for housemaids. The vertical axis of both markets has reservation wage for the particular skill. The world market for ICT skill is taken to be competitive mainly because the supply is relatively small and not very elastic. ICT education/training is relatively costly and requires relatively high ability. World employment is  $N_{w0}^{ict}$  and wage rate is  $W_{w0}^{ict}$  and the rich country's employment is  $N_{d0}^{ict}$  and wage rate is  $W_{d0}^{ict}$ . The rich country's desire to increase its employment by AC shifts the world demand curve to the right by AC in Figure 1a. World wage rate goes up to  $W_{w1}^{ict}$ . The rich country's new equilibrium employment is at  $N_{d1}^{ict}$  which includes both labor imported and additional domestic workers. It may pay world wage  $W_{w1}^{ict}$  or higher for wage efficiency reasons. All ICT workers enjoy the higher wage.

The market for housemaids is different - the rich country faces a small domestic supply and a very large world supply. Without labor imports, demand and supply would intersect at  $W_{d0}^h$  and employment is at  $N_{d0}^h$ . The world supply is  $W_{w0}^h S_{w0}^h S_{w1}^h$ . The rich country has three immigration and wage options 1) allow as many housemaids as demand warrants at the world reservation wage,  $W_{w0}^h$ . The employment of foreign maids would be at  $N_{d1}^h$ . This decision would eliminate the employment of domestic housemaids. 2) restrict entry to say, AB. The supply curve shifts outward by the number allowed entry to  $S_{d2}^h S_{d2}^h$ . If the government lets the immigrants compete in the



domestic labor market, wage will equilibrate at  $W_{d1}^h$  for both domestic and foreign workers. The wage rate will be higher than the world wage rate for housemaids. 3) A third tack is to restrict entry to say AB, pay domestic workers market equilibrium wage  $W_{d1}^h$  and set the wage of foreign workers at world level or slightly higher at say  $W_{f3}^h$ .

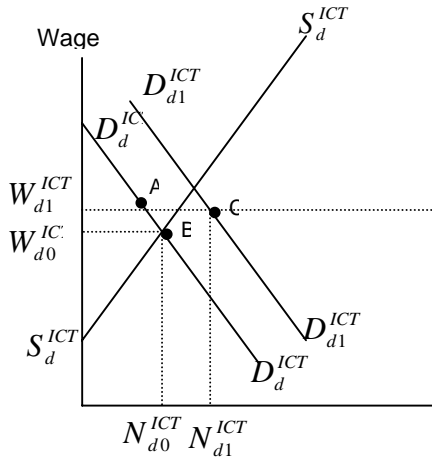


Figure 1a

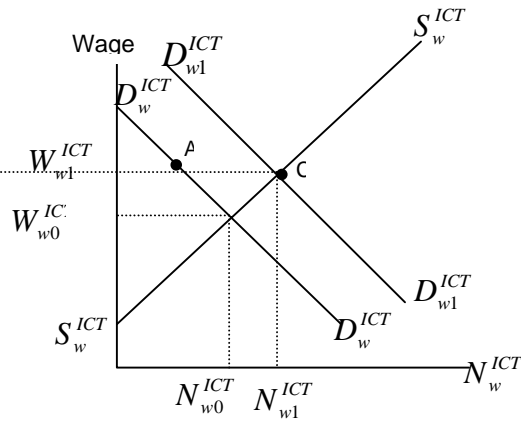


Figure 1b

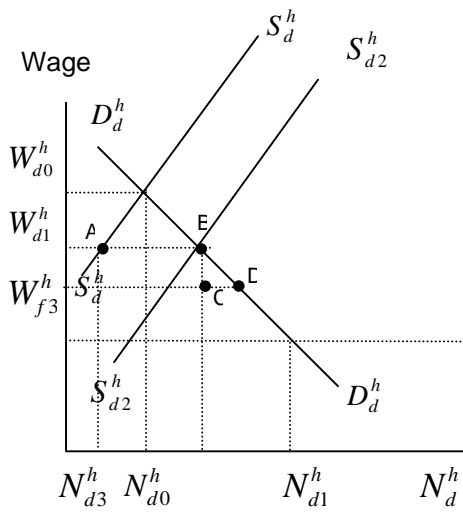


Figure 2a

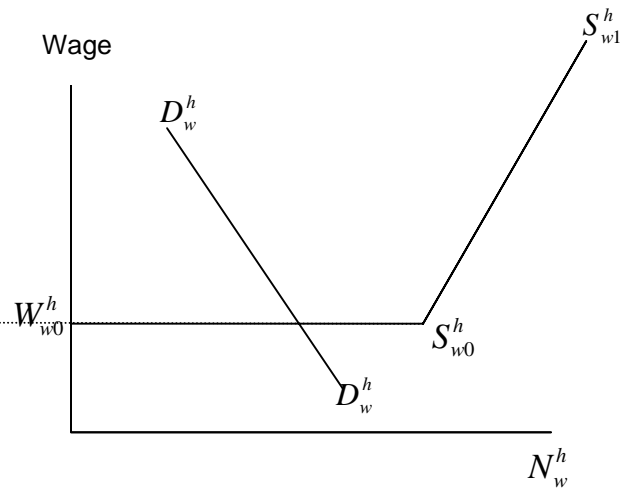


Figure 2b

There will be excess demand CD. This policy results in three wage levels for maids, one for domestic or native maids, one for imported maids and one for world supply. The disequilibrium condition may be sustained by imposing rules such as penalizing illegal immigration and employment of illegally entered foreign workers. The Philippine Commission on Filipinos abroad reports about 1.9 Million irregular emigrants with majority in the US and other advanced economies. The point is that the importing country has the power to decide on both the number of foreign workers to employ and the wage rate to pay them. Labor importing countries have actually made different decisions on these two variables. The US and Canada restrict the number of foreign workers of selected skills to let in but once inside, the foreign workers are allowed to compete with the natives for wage and other terms of employment. Singapore, Taiwan and other countries, in contrast, restrict both the number and the wage rate of foreign workers. Saudi Arabia approximates tack 1 where it relies on foreign workers for a number of occupations which it pays wage rates that may be close to their reservation levels. No country has followed policy 1) where entry is totally free, and only the US, Canada and Australia follow the second policy. Apparently most labor-importing countries adopt variants of the third policy.

Immigration barriers tend to preserve the wage structure of each labor-importing country. Our surveys show that in fact wage rate varies across destinations not so much because of the variation in their per capita income but because of variation in immigration policy. (Appendix Table 3) This leads us to posit a wage function with destination as an explanatory variable. (Section 5)

#### Section 4. The Structure of OFW Wage Rates

Our two surveys give the wage structure of OFWs. Table 1 presents the mean wage of new hires and of rehires by major occupations and destinations. For each occupation, wage rate varies widely across destinations. For nurses, wage rates range from \$458 in Taiwan, \$506 in Saudi Arabia to \$2,075 in the UK and Ireland and \$3,359 in the US and Canada. The wage rates for Other professionals range from \$478 in Singapore and \$460 in Other Americas to \$2,415 for UK and Ireland and \$3,323 in the US and Canada. There is as wide variation in all other occupations excepting for entertainers who are mainly employed in Singapore and Japan – their respective wage rates being \$1,000 and \$1,733. Housemaids earn as low as \$189 in Brunei and \$204 in Saudi Arabia and as high as \$1,744 in the UK and Ireland and \$2,114 in the US and Canada.

**Table 1: Average Monthly Wage of New Hires by Occupation and Destination**

DESTINATIONS	OCCUPATIONS								
	Not Stated	Nurse	Other Professionals	Sales	Clerk	Domestic Helper	Entertainer	Others	TOTAL
Saudi Arabia	<b>789</b>	<b>506</b>	<b>532</b>	<b>367</b>	<b>436</b>	<b>204</b>	.	<b>320</b>	<b>359</b>
	298	145	364	142	276	26	.	139	210
	28	222	349	17	51	215	0	1,898	2,780
Brunei	.	.	<b>877</b>	<b>208</b>	<b>429</b>	<b>189</b>	.	<b>211</b>	<b>230</b>
	.	.	437	20	346	10	.	156	193
	0	0	3	5	4	3	0	128	143
Other Europe + Spain + Cyprus	.	.	.	<b>816</b>	.	<b>482</b>	.	<b>424</b>	<b>473</b>
	.	.	.	0	.	144	.	169	178
	0	0	0	1	0	6	0	8	15
Other Middle East	<b>392</b>	<b>959</b>	<b>760</b>	<b>295</b>	<b>333</b>	<b>201</b>	.	<b>360</b>	<b>335</b>
	59	362	337	63	138	7	.	212	226
	2	32	120	184	159	709	0	1,271	2,477
Other Asia + Papua New Guinea + China + East Timor	<b>743</b>	.	<b>896</b>	<b>1,144</b>	.	<b>200</b>	<b>500</b>	<b>454</b>	<b>436</b>
	235	.	443	0	.	0	0	533	483
	5	0	12	2	0	65	26	302	412
Other americas (cuba)	<b>693</b>	.	<b>460</b>	.	<b>400</b>	.	.	<b>387</b>	<b>406</b>
	0	.	0	.	0	.	.	127	133
	1	0	1	0	2	0	0	17	21
Taiwan	.	<b>458</b>	<b>630</b>	.	.	<b>458</b>	.	<b>458</b>	<b>459</b>
	.	0	576	.	.	0	.	.	57
	0	26	18	0	0	17	0	1,855	1,916
Hong kong	.	.	.	.	.	<b>471</b>	.	<b>2,500</b>	<b>479</b>
	.	.	.	.	.	4	.	0	126
	0	0	0	0	0	258	0	1	259
Africa	.	.	<b>843</b>	.	<b>666</b>	.	.	<b>458</b>	<b>511</b>
	.	.	482	.	233	.	.	308	353
	0	0	23	0	7	0	0	166	196
Singapore	.	<b>813</b>	<b>478</b>	.	.	<b>201</b>	<b>1,000</b>	<b>829</b>	<b>633</b>
	.	284	573	.	.	2	0	1,299	823
	0	22	9	0	0	18	1	25	75
Trust Territories + Diego Garcia	<b>372</b>	<b>1,914</b>	<b>845</b>	.	<b>421</b>	<b>200</b>	.	<b>340</b>	<b>459</b>
	0	0	522	.	187	0	.	181	405
	1	2	7	0	3	2	0	41	56
Israel	.	.	.	.	.	.	.	<b>1,163</b>	<b>1,163</b>
	.	.	.	.	.	.	.	887	887
	0	0	0	0	0	0	0	34	34
Japan	.	.	<b>1,212</b>	.	<b>1,369</b>	<b>1,680</b>	<b>1,733</b>	<b>1,540</b>	<b>1,732</b>
	.	.	264	.	0	0	332	242	333
	0	0	5	0	1	1	4,035	3	4,045
United Kingdom + Ireland	.	<b>2,075</b>	<b>2,415</b>	.	<b>2,602</b>	<b>2,146</b>	.	<b>1,744</b>	<b>1,992</b>
	.	261	1,167	.	0	0	.	512	459
	0	129	9	0	1	1	0	62	202
United States + Canada	.	<b>3,359</b>	<b>3,323</b>	.	<b>3,934</b>	.	.	<b>2,114</b>	<b>3,203</b>
	.	305	984	.	320	.	.	1,249	1,013
	0	7	33	0	2	0	0	6	48
TOTAL	<b>748</b>	<b>1,063</b>	<b>796</b>	<b>309</b>	<b>415</b>	<b>262</b>	<b>1,725</b>	<b>407</b>	<b>855</b>
	292	785	805	117	416	130	346	287	716
	37	440	589	209	230	1,295	4,062	5,817	12,679

*Note: First row for mean wage, second, for standard deviation and third, for number of observations*

**Table 2: Average Monthly Wage of Rehires by Occupation and Destination**

DESTINATIONS	OCCUPATIONS							
	Nurse	Other Professionals	Sales	Clerk	Domestic Helper	Entertainer	Others	TOTAL
Saudi Arabia	<b>769</b>	<b>1,180</b>	<b>700</b>	<b>738</b>	<b>280</b>	<b>787</b>	<b>535</b>	<b>650</b>
	342	910	550	366	154	0	372	538
	108	141	20	8	38	1	660	976
Brunei	.	<b>2,650</b>	<b>295</b>	<b>292</b>	<b>234</b>	.	<b>393</b>	<b>542</b>
	.	1,626	148	0	111	.	328	780
	0	2	2	1	4	0	15	24
Other Europe + Spain + Cyprus	.	<b>500</b>	.	.	<b>543</b>	.	<b>692</b>	<b>610</b>
	.	0	.	.	424	.	457	440
	0	1	0	0	38	0	32	71
Other Middle East	<b>930</b>	<b>1,670</b>	<b>536</b>	<b>366</b>	<b>325</b>	.	<b>607</b>	<b>716</b>
	502	1,157	379	208	393	.	508	708
	33	51	24	3	55	0	265	431
Other Asia + Papua New Guinea + China + East Timor	.	<b>1,941</b>	<b>4,770</b>	<b>350</b>	<b>545</b>	<b>500</b>	<b>1,124</b>	<b>1,289</b>
	.	1,158	6,154	0	469	0	1,833	1,915
	0	22	3	1	8	1	103	138
Other americas (cuba)	.	<b>1,381</b>	.	<b>1,286</b>	.	.	<b>1,400</b>	<b>1,362</b>
	.	1,246	.	0	.	.	0	721
	0	2	0	1	0	0	1	4
Taiwan	.	<b>1,293</b>	.	.	<b>473</b>	.	<b>457</b>	<b>490</b>
	.	189	.	.	0	.	61	173
	0	3	0	0	8	0	68	79
Hong kong	.	.	.	.	<b>807</b>	.	<b>419</b>	<b>794</b>
	.	.	.	.	1,076	.	0	1,061
	0	0	0	0	30	0	1	31
Africa	.	<b>1,767</b>	.	.	.	.	<b>1,134</b>	<b>1,280</b>
	.	1,079	.	.	.	.	621	748
	0	3	0	0	0	0	10	13
Singapore	<b>952</b>	<b>1,977</b>	.	.	<b>472</b>	.	<b>1,061</b>	<b>1,205</b>
	466	759	.	.	492	.	657	812
	12	16	0	0	9	0	19	56
Trust Territories + Diego Garcia	.	.	.	.	<b>350</b>	.	<b>1,800</b>	<b>1,075</b>
	.	.	.	.	0	.	0	1,025
	0	0	0	0	1	0	1	2
Israel	.	.	.	.	<b>500</b>	.	<b>636</b>	<b>625</b>
	.	.	.	.	0	.	78	84
	0	0	0	0	1	0	11	12
Japan	.	<b>1,500</b>	.	.	.	<b>478</b>	<b>445</b>	<b>632</b>
	.	0	.	.	.	585	127	506
	0	1	0	0	0	2	3	6
United Kingdom + Ireland	<b>6,865</b>	<b>6,104</b>	.	.	<b>638</b>	.	<b>2,272</b>	<b>5,899</b>
	10,064	7,772	.	.	129	.	2,308	9,124
	96	6	0	0	2	0	23	127
United States + Canada	<b>1,452</b>	<b>3,559</b>	.	.	.	.	<b>1,106</b>	<b>1,398</b>
	0	624	.	.	.	.	420	890
	1	2	0	0	0	0	15	18
TOTAL	<b>3,143</b>	<b>1,555</b>	<b>852</b>	<b>638</b>	<b>458</b>	<b>561</b>	<b>653</b>	<b>1,065</b>
	6,886	1,667	1,673	387	555	370	781	2,735
	250	250	49	14	194	4	1,227	1,988

Experience<sup>4</sup> is compensated by higher wage in virtually all destinations and occupations as shown by the higher wage rates earned by rehires than by new hires. (Table 2) In Saudi Arabia and other Middle East countries, rehires earned much higher wages than new hires in all occupations. In Singapore, experienced Other professionals and housemaids earned more than double new hires. An exception is the entertainer group in Japan. Entertainers usually work on 3 to 6 months contracts. Rehired entertainers earned less than new hires perhaps because they may no longer be working as regular entertainers. For this occupation, novelty rather than experience, tends to have a higher market value. Excepting for entertainers, the ratio of mean wage of new hires to mean wage of rehires exceed 1.0 and ranges from 1.5 for clerical workers to 2.9 for nurses. On average, rehires have worked 7.0 years abroad, longest in Saudi Arabia at 9.3 years and 5.7 years in other Middle East countries. This region has the longest history of large scale labor imports. Length of experience in other destinations such as Hong Kong, Other Europe and Other Asia was also relatively long, at least 4 years. (Table 3)

#### 4. OFW Wage Function

The following wage function was estimated by regression:

$$\ln \text{ wage} = a + b_1 S + b_2 E + b_3 D + b_4 O + b_5 G + e$$

where:

W = monthly wage in US\$

S = education classified into elementary, incomplete high school, high school graduate, some college, college graduate and vocational-technical training

E = experience, for new hires this is proxied by age = 2003 – birth year for rehires and E= 2003 – year of first foreign job.

D = country of destination

O = occupation

G = gender

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<sup>4</sup>The survey questionnaire for rehires tried to asked for a history of foreign employment but too few answered the question. We resort to measuring experience abroad as year 2003 less year of first foreign employment. For new hires experience is proxied by 2003-birth year.

**Table 3: Average Monthly Wage (US\$) of New Hires and Rehires and Average Years of Experience of Rehires by Occupation**

OCCUPATION	New Hires	Rehires		Ratio of Rehires to Rehires
	Wage (US\$)	Wage (US\$)	Experience (No. of Years)	
Not stated	748 292 37			
Nurse	1,063 785 440	3,134 6,873 251	4.9 6.0 251	2.9
Other Professionals	796 805 589	1,555 1,667 250	6.6 6.0 251	2.0
Sales	309 117 209	852 1,673 49	6.6 5.2 49	2.8
Clerk	415 416 230	638 387 14	7.8 5.5 14	1.5
Domestic Helper	262 130 1,295	460 554 195	6.8 5.7 195	1.8
Entertainer	1,725 346 4,062	561 370 4	6.3 6.7 4	0.3
Others	407 287 5,817	660 795 1,233	7.5 51.5 1,234	1.6
<b>TOTAL</b>	<b>855</b> 716 12,679	<b>1,068</b> 2,732 1,996	<b>7.0</b> 40.6 1,998	<b>1.2</b>

*Note: First row for mean wage, second, for standard deviation and third, for number of observations*

Regressions were run on 4 sets of data. The first two sets consist of the observations of new hires and rehires that have complete information on the education variable; the other two sets have the full samples including those with incomplete education answers. In the second two sets, unanswered education question was treated as a separate education category.

The results of the regressions that have complete information on all variables – education, occupation, destination, age/experience and sex using individual new hires are given in column 1 of Table 4. The results are quite robust with a high  $R^2$  of .89. Only completed college is found to exert a significant and expected influence on foreign wage. Having completed college increases wage by 12.1% relative to elementary educated. All the other occupations including Other professionals earn less than nurses. Housemaids earn the lowest at -68.2% less than nurses, sales next lowest at -.60%, and Others which largely comprise skilled manual workers, -.45.8%. The entertainer occupation stands out for not being a significant variable. Wage increases by .85% for every year of age and being female reduces wage as compared to male by 10%. Destination contributes the largest variation in wage rate. Using Saudi Arabia as the base, the highest wage is earned in the US, next UK and Ireland, then Japan and Hong Kong. Wage is higher by 193.6% in the US and 152.9% in the UK and Ireland as compared to Saudi Arabia. The only destination that pays less than the latter is Brunei.

**Table 4: Regression Results (In wage = a + b<sub>1</sub>S + b<sub>2</sub>E + b<sub>3</sub>D + b<sub>4</sub>O + b<sub>5</sub>G + e)**

VARIABLES	NEW HIRES	REHIRES	
	MODEL 1	MODEL 1	MODEL 2
Vocational	0.0225 0.88	(dropped)	(dropped)
H.S. Level	-0.0392 -1.33	(dropped)	(dropped)
H.S. Graduate	-0.0086 -0.39	-0.0900 -1.36	-0.0721 -1.09
College Level	0.0270 1.14	-0.0111 -0.17	-0.0164 -0.25
College Graduate/Higher	0.1208 5.17 *	0.2273 3.29 *	0.2257 3.27 *
Other Professionals	-0.0350 -1.63 *	0.1074 1.02	0.1215 1.16
Sales	-0.6004 -20.67 *	-0.4037 -2.61 *	-0.4333 -2.81 *
Clerk	-0.3284 -11.35 *	-0.5089 -1.69 *	-0.5244 -1.74 **
Domestic Helper	-0.6822 -14.50 *	-0.7484 -6.44 *	-0.7440 -6.41 *
Entertainer	0.0131 0.26	-0.5933 -1.29	-0.6489 -1.42
Others	-0.4577 -25.04 *	-0.5799 -6.01 *	-0.5729 -5.94 *
Brunei	-0.2431 -7.33 *	-0.1916 -1.05	-0.1733 -0.95
Other Europe + Spain + Cyprus	0.0568 0.44	0.0669 0.55	0.0919 0.75
Other Middle East	0.0925 7.90 *	0.0899 1.64 *	0.0880 1.60 *
Other Asia + Papua New Guinea + China + East Timor	0.2727 15.28 *	0.4219 4.92 *	0.4355 5.06 *
Other americas (cuba)	0.1702 2.61 *	0.4693 0.81	0.4433 0.76
Taiwan	0.4394 38.35 *	0.2237 2.08 *	0.2382 2.21 *
Hong kong	1.0208 8.43 *	0.4766 2.63 *	0.5071 2.80 *
Africa	0.2989 12.67 *	0.7341 2.95 *	0.7648 3.08 *
Singapore	0.3526 8.86 *	0.4561 3.49 *	0.4627 3.54 *
Trust Territories + Diego Garcia	0.1081 2.96 *	0.8604 1.48	1.0318 1.78 *
Israel	0.9765 3.77 *	0.5754 1.95 *	0.6551 2.23 *
Japan	1.3993 29.47 *	-0.0623 -0.17	-0.0735 -0.20
United Kingdom + Ireland	1.5293 63.31 *	1.3560 12.83 *	1.3586 12.86 *
United States + Canada	1.9359 46.39 *	1.0209 4.08 *	1.0457 4.18 *
Age	0.0085 17.31 *	0.0125 4.89 *	0.0168 5.02 *
Experience			0.0168 5.02 *
Female	-0.0959 -10.96 *	-0.2537 -4.51 *	-0.2626 -4.68 *
Constant	5.8871 174.53 *	6.3760 46.78 *	6.4900 57.18 *
R <sup>2</sup>	0.8931	0.3206	0.3211
Adjusted R <sup>2</sup>	0.8927	0.3097	0.3103
No. of Observations	7,162	1,587	1,587

Note: 1. Base variables for: **Education** – Elem. Level and Graduate, **Occupation** – Nurse and **Destination** – Saudi Arabia  
 2. First row is for the estimated coefficient and second, for the t-statistic:  
 \*\* - significant at 0.10 level \* - significant at 0.05 level  
 3. Dropped means no observations

The regression results for rehires which have an alternative proxy for experience (year 2003 less year of first job foreign job) are given in Columns 2 and 3. Age and foreign experience were alternatively used in the wage regression. For new hires every year increases wage by .085%. For rehires age has a smaller coefficient value than foreign experience, 1.25% vs. 2.68%, but both are significant and of the expected sign. This is to be expected since having worked abroad likely reflects longer tenure with the current employer, hence more specific training and better personal relationship. Tan (2004b) observes that advertisements for foreign jobs place much importance on experience but the age variable in the survey appears not to capture well the experience desired by foreign employers. The quadratic form with age<sup>2</sup> or experience<sup>2</sup> is not supported by the data. (Appendix Table 4) As in the case of new hires, completed college is the only education category that exerts a positive and significant effect on wage, increasing wage by 22.7% relative to elementary education. The wage rate of Other professionals is not significantly different from that of nurses. Also not significant is the entertainer category. There is a larger difference in the wage rate of clerks, housemaids and other skilled manual workers relative to nurses among rehires than among new hires. It is not unreasonable to expect more opportunities for on-the-job training and therefore higher returns to experience of nurses as compared to these three occupations. Excepting for Other Americas and Japan, all destinations exert significant influence on wage rate relative to Saudi Arabia. However, the coefficients for UK and Ireland and for the US and Canada are smaller among rehires than among new hires.

Alternative specifications were run to take account of possible multicollinearity especially between occupation and education and occupation and destination. The skills demanded tend to be destination specific except for the Middle East countries which employ varied skill categories including sales. (Appendix Table 4) North America and the UK import mostly nurses and other professionals while Japan, factory workers and entertainers. One specification excludes education, another excludes occupation. The alternative specifications marginally lowered R<sup>2</sup> by 2 percentage point from .89 to .87. Most coefficients retained their significance level and value. The coefficient of college education increases when occupations are excluded in the regressions. Destination remains a strong determinant of wage rate.

There was a large number of non-response about education, 42% of the sample of new hires and 15% of the sample of rehires. We ran regressions on the full sample and treated no stated education as another education category. Those who did not state their educational attainment have more than elementary education as they are distributed across the various occupations. The results are given in Appendix Table 4. For the regression of new hires, this education category like all other education categories excepting completed college is insignificant. The coefficients of the occupation categories are slightly larger in the full sample than in the small sample but the coefficients of the other variables are not significantly different in the two samples and the R<sup>2</sup>s are the same, about .90

As far as the rehires are concerned, the observations with no stated education form a much smaller proportion of the total sample, 15%. R<sup>2</sup> is .34 which is higher than for the smaller sample at .30. Completed college as well as no stated education are both significant and have positive coefficient relative to elementary education. The categories Other professional, Other Americas exert significant effect on wage rate in the larger sample but not in the smaller sample. On whole the regression results are robust with



relatively high  $R^2$  and with most coefficients significant and of the expected sign. Either samples may be used.

## Section 5. Related information on Migration

Recall returns to migration partly depend on foreign-domestic wage differentials, migration-related costs and premium to risk. Some information on domestic wage, migration-related costs and risk is presented here.

Table 5 gives the annual gross returns defined as foreign-domestic wage differential in US dollars for selected occupations for new hires and rehires. Foreign wage is from our surveys. Domestic wage is obtained from the monthly wage rates of employees in “large” establishments for selected occupations in Metro Manila. See Appendix Table 5 (Large establishments are those with 50 or more employees.) Monthly domestic wage rates are quite low ranging from \$191 for nurses and \$192 for service workers other than housemaids to \$320 for Other professionals. Clerical workers earn \$260 and Other skilled workers, \$285. Note the rather narrow range. Compare the range to the average monthly foreign wage rates of \$407 for Service and Other skilled workers to \$1063 for nurses. The annual foreign-domestic wage differential ranges from \$1,464 for Service and Other skilled workers to \$10,464 for nurses. Annual gross returns vary even more widely when we consider destination. Gross returns for nurses are \$3,780 in Saudi Arabia, \$7,464 in Singapore and \$38,016 in the US. For Other professionals, gross returns in the respective locations are \$2,544, \$1,896 and \$36,036. Note that domestic wage is the average for all employees, not taking account of experience and other relevant variables.

The annual gross returns for rehires who receive higher wage rates than new hires are much higher. The average gross returns are \$35,316 for nurses, \$14,820 for Other professionals, \$4,536 for Clerks, \$5616 for Service workers and \$4,500 for Other skilled workers. Rehired nurses in Saudi Arabia gain by \$6,936 and in Singapore, \$9,132. Rehired Other professionals have much higher gross return than new hires – in Saudi Arabia, \$10,344, in Singapore \$19,844 and in the US, \$38,868.

**Table 5**  
**Annual Gross Returns to Migration for Selected Occupations, 2002**

	<b>Monthly Foreign Wage</b>	<b><u>New Hires</u> Monthly Domestic Wage</b>	<b>Annual Gross Return</b>	<b>Monthly Foreign Wage</b>	<b><u>Rehires</u> Monthly Domestic Wage</b>	<b>Annual Gross Return</b>
<b>A. Occupations</b>						
<b>1. Nurse</b>	1063	191	10464	3134	191	35136
<b>2. Other Professionals</b>	796	320	5712	1555	320	14820
<b>3. Clerks</b>	415	260	1860	638	260	4536
<b>4. Service workers</b>		192	2580		192	5616
<b>5. Others</b>	407	285	1464	660	285	4500
<b>B. Selected Locations</b>						
<b>1. Nurses</b>						
<b>Saudi Arabia</b>	506	191	3780	769	191	6936
<b>Singapore</b>	813		7464	952		9132
<b>US</b>	3359		38016			
<b>2. Other Professional</b>						
<b>Saudi Arabia</b>	532	320	2544	1182	320	10344
<b>Singapore</b>	478		1896	1977		19884
<b>US</b>	3323		36036	3559		38868

*Note: Gross returns are simply foreign-domestic wage differential. Domestic wage is assumed to be the mid-point of the wage range for other professionals, service workers and technicians.*

In Table 6, we have out-of-pocket cost of migration for OFWs bound for Hong Kong and Italy. The estimated cost is based on a small, albeit unrepresentative sample OFWs. Nevertheless, it is insightful. The out-of-pocket costs are categorized into placement fees paid to recruiters, fees paid to POEA and the Overseas Workers Welfare Fund, OWWA, and miscellaneous expenses for passport, medical examination, National

**Table 6**  
**Pre-departure Expenses of Migrant Women**  
**Bound for Hong Kong, China or Italy**

	<b>Lowest Range</b>		<b>Maximum Range</b>	
<b>Placement fee (Hong Kong)</b>	P30,000	(\$581)	P65,000	(\$1260)
<b>OWWA Contribution</b>	5000	(or \$100)	5000	(or \$100)
<b>POEA Administrative fee</b>	1250	(or \$25)	1250	(or \$25)
<b>Mandatory Medical fee</b>	<u>900</u>	\$17	<u>900</u>	\$17
	P37150		P72150	
<b>Miscellaneous expenses:</b>		\$723		\$1,402
<b>Passport</b>	850		850	
<b>Medical, NBI clearance, Video</b>	1905		2750	
<b>Pre departure orientation</b>	200		200	
<b>POEA certificates of overseas</b>				
<b>Employment (COE)</b>	100		100	
<b>Agency registration fee</b>	<u>100</u>		<u>500</u>	
	P3155	61	P4400	85
<b>Total for Hong Kong</b>	P40,305	\$784	P76,550	\$1487
<b>Total for Italy</b>	P80,305	\$1556	P311,550	\$6038

*Notations: In US\$ total cost:  
Exchange Rate for 2002 was P51.6/\$1*

*Source: Añonuevo and Añonuevo (eds.) 2002, Coming Home, Women, Migration and Reintegration, Manila, BalikBayani Foundation and Alikha Overseas Workers and Community Intralive, Inc.*

Bureau of Investigation clearance, pre-departure orientation fee, POEA certificate fee and Agency registration fee. By POEA rule, cost of transport is to be paid for by employers but is sometimes borne by the migrant. The total cost for Hong Kong-bound OFW ranges from \$784 to \$1,487 and for Italy, \$1,556 to \$6,038. Placement fee comprises the bulk of the cost and explains most of the cost variation. For Hong Kong-bound workers, placement fee comprises from 74% to 85% of total cost, for Italy-bound workers, from 87% to 96%. Placement fee is higher for Italy than for Hong Kong perhaps because the higher wage rates in Italy attract more job applicants and those more willing to pay higher placement fees. The annual gross returns of all five occupational categories of new hires exceed the out-of-pocket cost of placement for Hong Kong. (Table 5) Rehires do not have to pay placement fee but only the POEA and OWWA fees and some of the miscellaneous fees, at most P10,305 or \$200. If OFWs can work beyond one year, returns would be positive for all categories. Those bound for Italy would earn at least \$1,000 per month or \$12,000 per year. Net returns would be positive even if the migrant pays the maximum cost of \$6,038. The same holds for Taiwan-bound OFW. The average monthly wage for housemaids and other workers is \$458 or \$5,496 per year. A small survey by St. Christopher Church (catholic) in Taiwan found placement cost at P72,000 or \$2000 in 1998.

OFW bear three kinds of risk – risk of fraudulent placement where no job has been contracted, risk of contract violations consisting of non-payment, delayed payment or below-contracted payment of salary, physical abuses such as rape and injuries and even death. New hires generally face more risk than rehires. The latter have acquired better information about their foreign destination and have built more satisfactory terms of employment and relationship with employer than new hires. POEA and the Overseas Workers Welfare Administration (OWWA) have put in place rules and offices to minimize such abuses. POEA screens and registers placement agents before they can recruit OFWs. It evaluates and approves employment contracts. POEA's certificate of approval is required for immigration purposes. In turn, OWWA maintains service centers in cities with a large concentration of OFW such as Riyadh and Hong Kong. The \$25 registration fee covers death and disability insurance, albeit of meager amounts – P100,000 (\$179) for natural death and P200,000 (\$358) for accidental death, injuries up to P100,000. The medical fee of P900 (\$16) covers health insurance of the same benefits as the national PhilHealth insurance.

Table 7 gives a sense of the risks involved in foreign employment. Both POEA and OWWA receive complaints from the workers and try to settle them through hearings, negotiations with employers and death and disability insurance. The number of complaints must be seen as a ratio of total stock, total deployed or total deployed new hires. Close to 5,000 cases were received by POEA and OWWA in 2000. New hires numbered more than 150,000. (Appendix Table 2). Exploitative and fraudulent recruitment practices where no job has been contracted regularly occur. Frequently reported were non-payment, below-contracted wage payment and delayed payment of wages. There were also accidental death and disability claims which numbered 163 and 62 in 2002. (Tan, 2004b) There have been physical violence including rape. The incidence of contract and physical violence differed by destination. POEA and OWWA do not publish these data. But the experience by Sri Lankan workers likely applies to OFWs. Incidence is most serious for the less skilled in some Middle East destinations. (Table 8)

Professional workers tend to find their own foreign employment through advertisements in the internet and other sources and avoid high placement cost. Because of the shortage of nurses in the US, recruiters are reported to earn \$10,000 to \$12,000 per placed nurse in American hospitals. In turn they offer nurses free placement services and immigration and transport cost plus allowance for settling accommodation in the US. Nevertheless, the excess demand for nurses there has not abated because the great majority of nursing graduates are unable to meet its more stringent requirements: the passing of Philippine licensure examination, experience in large hospitals and the passing of the US Council for Nursing Graduates of Foreign Schools (CNGFS) examination. Apparently relatively few meet all these requirements

**Table 7. Cases Filed and Settled by POEA, 1984-2000**

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
<b>1. Welfare cases</b>																
I. Cases Handled	5742	8427	13404	8625	7308	6074	5386	5715	5810	6431	6637	7038	7747	4733	5620	5391
A. Cases pending at the beginning																
B. Cases received	791	1783	3448	3929	5026	3811	2667	2989	2838	3126	3768	4654	5108	1854	2603	2603
II. Cases Disposed	4951	6644	9956	4696	2282	2263	2719	2726	2972	3305	2869	2384	2639	2879	3017	2788
III. Cases pending At the end	3959	4979	9475	3599	3497	3407	2397	2877	2684	2663	1983	1930	5893	2130	3017	2788
	1783	3448	3929	5026	3811	2667	2989	2838	3126	3768	4654	5108	1854	2603	2603	2603
<b>2. Recruitment Cases</b>																
I. Cases Handled	4943	4359	3991	3880	3239	3741	3701	4589	7530	9993	10331	8381	6161	3995	4770	4064
- Employment related	2427	1759	1811	2169	2149	3020	2564	3727	6140	8173	8476	NB	NB	NB	NB	NB
- Recruitment regulation	2516	2600	2180	1711	1090	721	1137	862	1390	1820	1835	NB	NB	NB	NB	NB
A. Pending cases at the beginning	2087	2168	1751	1355	1125	820	929	978	1706	3097	6064	5747	4179	1636	2662	1836
- Employment related	1316	759	874	760	692	693	855	869	1378	2336	5284	NB	NB	NB	NB	NB
- Recruitment regulation	771	1409	877	595	433	127	74	109	328	761	780	NB	NB	NB	NB	NB
B. Cases received	2856	2191	2240	2525	2114	2921	2772	3611	5824	6896	4247	2634	1982	2359	2148	2228
- Employment related	1111	1000	937	1409	1457	2327	1709	2858	4762	5837	3192	664	685	699	684	673
- Recruitment regulation	1745	1191	1303	1116	657	594	1063	753	1062	1059	1055	1970	1297	1660	1464	1555
II. Cases Disposed	2775	2608	2636	2755	2419	2812	2723	2883	4433	3929	4564	4202	4525	2889	3322	2977
A. Regular Dis-Position	2775	2608	2636	2755	2419	2812	2723	2883	4433	3929	2581	2335	3001	1945	2331	2493
- Employment related	1668	885	1051	1477	1456	2165	1695	2349	3804	2889	1502	1062	1787	1458	1276	675
- Recruitment regulation	1107	1723	1585	1278	963	647	1028	534	629	1040	1079	1273	1214	487	1055	1818
III. Cases pending At the end	2168	1751	1355	1125	820	929	978	1706	3097	6064	5747	4179	1636	2622	1836	1087

*Legend: NB – no breakdown available.*

*Source: POEA Overseas Employment Statistics 1982-1990, unpublished 1991-2002.*

**Table 8**  
**Complaints Filed by Sri Lankan Overseas Workers by Sex, 2002**

**A. Distribution of Complaints by Cause, 2002**

	<b>Female</b>	<b>% of Total</b>	<b>Total</b>	<b>% of Total</b>	<b>% of Female</b>
Violation of Contract	2552	39.0	3631	45.7	70.3
Harassment	1411	21.6	1458	18.4	96.8
Death	114	1.7	233	2.9	48.9
Lack of communication	1756	26.8	1826	23.0	96.2
Stranded-lack of reception on arrival & stranded without employment	5	—	7	—	
Other	707	10.8	783	9.9	
<b>Total Complaints</b>	<b>6545</b>	<b>100.0</b>	<b>7938</b>	<b>100.0</b>	

**B. OCW Given Assistance by Complaints**

	<b>Female</b>	<b>% of Total</b>	<b>Total</b>	<b>% of Total</b>	<b>% of Female</b>
Harassment & non payment of Wages	1877	28.8	2281	26.3	82.3
Harassment	1606	24.7	1722	19.9	93.3
Sexual harassment	375	5.8	375	4.3	100.0
Non-payment of salary	1200	18.4	2779	32.1	43.2
Insane	161	2.5	161	1.9	100.0
Disabled	121	1.9	127	1.5	95.3
Sick	977	15.0	100	11.6	97.3
Pregnancy	60	0.9	60	0.7	100.0
With babies	31	0.5	31	0.4	100.0
Other problems	104	1.6	125	1.4	83.2
<b>Total</b>	<b>6512</b>	<b>100.0</b>	<b>8665</b>	<b>100.0</b>	

Source: Sri Lanka Bureau of Foreign Employment Handbook, 2003, Research Division, SLBFE

**Table 9**  
**Percentage Distribution of Overseas Contract Workers and Complaints – 2002\***

<b>Country</b>	<b>OCW</b>	<b>Complaints</b>	<b>% Complaints % of Total OCW</b>
KSA	33.5	42.5	126.9
UAE	14.2	10.5	3.9
Bahrain	2.8	1.4	50.0
Oman	3.7	1.4	37.8
Kuwait	17.0	16.2	95.3
Qatar	4.1	5.5	134.1
Jordan	4.1	8.4	204.9
Singapore	1.4	0.3	21.4
Lebanon	8.2	11.7	142.7
Cyprus	1.5	0.7	46.7
Malaysia	0.2	0.3	150.0
Maldives	1.4	0.7	50.0
Others	7.9	0.3	3.8
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	

**\*Provisional**

Source: Conciliation Division – Sri Lanka Bureau of Foreign Employment SLBFE  
Information Technology Division – Sri Lanka Bureau of Foreign Employment SLBFE

since the Philippines, despite the attractiveness of the US offer, fails to meet its demand. Less than 20% of US job order for nurses were filled up in recent years. The same holds for UK and Ireland. (Tan 2004b)

## Section 6. Conclusion

Returns to foreign employment are, on average, positive. The foreign-domestic wage differential is generally high and compensates for the monetary costs of migration. However, foreign wage rates vary widely not just across occupations but for each occupation, across destinations. The variation across destinations is attributed to the segmentation of the world labor market arising from immigration barriers that each labor importing country imposes on foreign workers. The paper illustrates how the more common immigration barriers provide an importing country some monopsony power over the employment and wage rates of foreign workers. It may decide to pay them a wage that is competitive with the natives as in the US and Canada or it may decide to pay them just their reservation wage. Some rich economies like Singapore, Taiwan and Spain pay Filipino housemaids way below what they pay their lowest-wage workers. With each country setting its own wage for foreign workers, the wage rates of migrant workers tend to differ across destinations. This is clearly evidenced by the wage structure obtained in the surveys conducted for this study.

The wage regressions show destination to be the strongest variable determining foreign wage rate. Experience enhances foreign wage but being female reduces it. Working in America and Canada could earn double the wage rate in Saudi Arabia, and working as a nurse and in other professions also earns much higher wage rates than as a housemaid and other occupations. Professional occupations require college education but all the other occupations have looser educational requirements. Excepting for completed college all education categories exert an insignificant influence on wage rate.

Obviously America, Canada and a few other OECD destinations are relatively attractive destinations. But they have small if not zero immigration quota for most occupations. Currently there is a large demand for nurses and highly skilled ICT labor. The Philippines has been unable to supply the demand for these skills. There is a very active recruitment by American hospitals for Filipino nurses but relatively few meet their requirement. Most foreign hospitals require a few years experience, completion of the nursing degree and passing the Philippine professional licensure. In addition to these, the US requires the passing of the examination by the Council for Nursing Graduates of Foreign Schools. Apparently few pass this examination for less than 20% of the US job orders for nurses were filled up in the last two years. The job orders for nurses for UK and Ireland which pay relatively high wages have also been partially filled. Most Philippine nurses are employed in the Middle East where the pay is less than half that of US or UK.

The OFWs enjoy substantial returns from foreign employment but on the whole they do not maximize the gains from migration. The poor quality of their schooling and training prevents them from qualifying for jobs in high-wage destinations. The inability of the Philippines to supply nurses and ICT specialists in the US and other OECD countries may be blamed on the scarcity of good quality college education for these fields. There is as well a dearth of good quality teachers and engineers. Yet hundreds of

colleges and universities of dubious quality offer these fields. What happens is a draining of the better quality manpower. The domestic semi-conductor industry complains of the drain by foreign companies of their experienced ICT personnel. The annual exodus of nurses in recent years of about 6,000 exceeds the number passing the licensure examination each year of about 5,000. This means the draining of the more qualified and experienced nurses from hospitals.

Migration policy has focused on protection of migrant workers. This is a priority and must remain a priority. There is, however, a strong basis for directing migration policy to the supply of high quality migrants so that they can maximize the returns to their foreign employment. The POEA, OWWA and the Department of Labor and Employment as a group needs to connect with CHED in planning not just for domestic labor demand but for world demand. Labor migration is here to stay not just because of the stagnation of the economy but because the population has learned to widen its labor market horizon to the world at large. The would-be migrants must be enabled to maximize their gains from migration. Their gain is the nation's as well.

A closer supervision of placement agents is called for. Most of the complaints filed by OFWs relate to contract violations by employers. Placement agents must be made responsible for screening would be employers and monitoring the welfare of the OFWs they have placed. Placement fees are shown to exceed the maximum of one month salary in many cases.



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