

Tan, Edita A.

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## The financial crisis, oil price hike, the Arab spring and foreign demand for Filipino workers

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## **UP School of Economics**

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#### **The Financial Crisis, Oil Price Hike, the Arab Spring and Foreign Demand for Filipino Workers**

by

Edita A. Tan

Professor Emeritus, School of Economics, University of the Philippines  
Diliman, Quezon City

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## **Abstract**

The paper inquires into the impact of contemporary major world events – the recession in the United States and Western Europe, the oil price hike, and the Arab Spring – on the flow of overseas Filipino workers or OFWs and their remittances. The paper finds that the recession in the West has not spread worldwide for its share in world trade has declined significantly since the 1980s. The oil exporting countries gained from the oil price hike and there are now many more economies that have achieved appreciable growth which they have been able to sustain up to the present, e.g. the Asian tigers, BRICs, Botswana. On the other hand, Tunisia, Egypt, Libya and Syria are minor employers of Filipino workers. Expectedly, the varied economic performance of the world economies has had differential impact on demand for migrant workers. The OFWs have found employment in varied occupations in varied destinations with the large majority in the Middle East and East Asia which have not been negatively affected by the Western recession. Many are also in service occupations that did not suffer as much decline in demand as in other occupations. The paper provides some empirical support to these findings.

## **The Financial Crisis, Oil Price Hike, the Arab Spring and Foreign Demand for Filipino Workers**

Edita Abella Tan

The world economy has been seriously assailed by a confluence of major events since 2008 – the financial crisis in the United States and Western Europe and its consequent recession in these economies, the significant rise in oil price largely due to the rising demand in rapidly growing giant economies of China and India, and the Arab Spring. Political instability in some oil producing countries such as Nigeria has contributed to the oil price increase. The US and Western Europe comprise the largest economic segment of the world; they contribute as much as 40% of the world output and 47% of world trade. In 1980, the respective shares were 56% and 55.7%. The recession there has definitely reduced the demand for goods, services and even capital in the rest of the world. Oil is an important input and consumption item in all economies and the drastic rise in its price taxes all oil importing countries. The oil price hike has exacerbated the impact of the recession for these economies. The revolutionary movements toward democratic forms of government in Libya, Tunisia, Egypt, Sudan, Yemen and Syria have wrought much human and economic suffering among their peoples. While the suffering is expected to be temporary and the economic disruption largely localized, the conflicts seem to deepen the gloom of the recession. On the other hand, a fairly large number of countries in Africa, Latin America and Asia have achieved appreciable economic growth following effective structural reforms. As giant economies, BRIC's performance attracts world notice. Moreover, the high-performing economies of East Asia: South Korea, Singapore, Taiwan, Hong Kong and Malaysia, have sustained their high growth rates. The positive performance of these countries has mitigated the impact of the Western recession on other countries and they themselves have strengthened their institutional and technological capacity to meet challenges. Consequently, the recession in the West and the oil price hike have not as yet caused a worldwide recession. Obviously, the oil producing countries are net gainers from the oil price inflation. Nevertheless the unresolved debt crisis in Europe and even in America raises business uncertainty worldwide and could worsen or spread economic downturn.

The disturbing world events are of critical concern in the Philippines. It has a relatively large trade sector with total trade to GDP ratio averaging 89.86% in the past decade and a very large number of workers employed abroad (referred to as overseas Filipino workers or OFWs).

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The study was very ably assisted by Kat Dinglasan

The stock of OFW is estimated at 3.8 Million, about 4% of the population and 10% of the labor force in 2010. Over the 2005-2010 period, they have contributed through the remittances of their foreign earnings about 11% to GNP. The outflow of newly hired OFWs averaged about 320,000 which comprised about 7% of the new entrants to the labor force in the same period. The number of newly hired workers reflects increased demand for OFWs but does not equal it for there have probably been permanently returned OFW though there are no data on them.

The paper inquires into the impact of the major events on foreign demand for Filipino workers and permanent emigration. The varied performance of the world economies is expected to have differential impact on the total flow of migrants and OFWs since they go to myriad destinations. Filipino migrants are now found all over the world. Migration to the recession saddled-West likely declined but the flow of OFWs to the oil producing and high performing economies have been sustained. The Overseas Workers Welfare Administration, OWWA, reported a few hundred forced repatriations from Syria. On the other hand, the Bangko Sentral ng Pilipinas or BSP has reported continued growth of remittances. The OFW recruitment companies continue to be crowded with applicants.

The paper puts together time series data on the flow of migrants to major destinations and their remittances. There are two migrant groups – the permanent emigrants who plan on a permanent settlement abroad and the OFWs for temporary but renewable employment. Few countries admit permanent immigrants on a regular basis: the US, Canada and Australia give immigrant visas for family reunification and employment and Japan for spouses of its citizens. They have more restrictive foreign workers employment policy. The large stock and flow of OFWs are to other destinations. The Philippine Overseas Employment Administration (POEA) reports that Filipinos have found employment in some 200 destinations in all the world continents. The number of host countries has increased from a handful in the Middle East which hired the first batch of OFWs in the mid 1970s following the first oil price shock that financed a construction boom. In the 1980s the tiger economies of East Asia decided to import workers when they began to experience labor shortage. They have become the second most important regional destination of OFWs. Both East and West Asian regions have continued employing large numbers of OFWs. Since the 1980s, Filipino workers found more and more employment destinations (Table 1).

The continuing large scale exodus of workers has been encouraged by several factors. One is the growing placement industry which has found foreign placement a profitable business. There are now more than 1,000 registered recruitment companies which employ

advanced communication systems and bilateral placement partners in finding and negotiating overseas employment. Secondly, the government instituted fairly effective protective measures to reduce observed foreign employment risks. Laws were enacted to protect workers against illegal recruitment and created two agencies - the POEA and the OWWA to provide protective services to workers at home and at their work place. The Department of Foreign Affairs (DFA) and the POEA engage themselves in bilateral negotiations for the protection of OFWs. The POEA sets and enforces standard recruitment practices. Filipino Overseas Labor Offices or POLOS are established in cities with a large concentration of OFW to provide direct assistance to those who experience immigration problems or suffer contract violations and physical harm from their employers. Filipinos' familiarity with Western culture and relatively high educational attainment have facilitated their adjustment to foreign culture and qualified them for varied jobs. These institutional structures and laws have definitely reduced risk of foreign employment. And the relatively poor working conditions with persistently high unemployment of close to 10% and low wage rates have raised the rate of return to foreign employment.

Most host countries have restrictive and selective immigration policy so that in many cases, the skills (workers of particular skills) demanded tend to be destination specific, e.g., Singapore gives visas mainly to highly skilled professionals and lowest skilled domestic workers, Taiwan to caregivers, UK to nurses. Professional workers have been employed in international organizations including those assigned in African countries. Filipino entertainers are now employed in Macao. Saudi Arabia and the other Middle East countries have a more open market for Filipino workers both in numbers and in occupations. They have remained the largest employers of OFWs. Wage rate and term of employment vary across countries. The US, Canada and Australia are the most desirable destinations for they offer competitive wage and employment terms to their foreign works. Malaysia and Singapore have recently agreed to offer competitive wage to Filipino workers. But most other destinations have discriminatory wage rates and weak protective policies for foreign workers. Nevertheless, their wage rates are much higher than domestic rates.

The demand elasticity of labor may vary across skills. A recession that entails a significant decline in demand and output of consumer and capital goods would likely result in a larger decline in derived demand for blue collar production and construction workers. The demand for domestic and social services is likely to be less income elastic than that for production and construction workers. Personal and recreation services are consumed by the affluent classes whose incomes are less volatile. Social services provided by governments and philanthropic organizations are less vulnerable to short-run changes in national income. The OFWs in service occupations are therefore expected not to be as strongly affected by recessions as production workers. In international shipping which the Philippines supplies as much as 25% of the crew, the demand for cargo shipping crew may be much more income

elastic than the demand for cruise workers who are employed in luxurious passenger ships that host affluent customers. Their consumption habits appear to be less sensitive to economy-wide income instability. We therefore expect that the OFWs in land-based and sea-based services to be less negatively affected by economic downturns.

We trace the economic performance of the major destinations of the OFWs and show its impact on the flow of migrants. Did the recession in the West slowdown economic growth in the rest of the world? Was there differential impact on the occupational distribution of OFW skills assuming different demand elasticities for them? Finally we try to correlate growth of output to growth of OFW outflow across major destinations. Simple correlation instead of regression and other statistical inferences is used given the complexity of immigration stance of host countries. Migration policy of most countries is determined by national values regarding foreigners' culture and social class, not just by labor market conditions.

## **Section 2. Migrants' Destinations and Trend in their GNP Growth**

The Commission on Filipinos Overseas (CFO) has reported on the annual stock of citizens abroad consisting of emigrants and migrant workers or OFWs since 1998. For the emigrants, the stock is based on the population census of the destination countries and for the OFWs, data from the Philippines consular offices and the POEA<sup>1</sup>. We see in Table 1 how widely located are the country's migrants. In 2009, there were 4.057 Million permanent emigrants, virtually all or 99.4% were in OECD countries: 2.593 Million in the US, .554 Million in Canada .312 Million in Western Europe, .336 Million in Australia and .263 Million in advanced East Asia. The more than 3.8 Million OFWs were scattered in 214 destinations but with a concentration in the Middle East which hosted 59.4% and East and South Asia 14.2%. Fortunately, there were relatively few OFWs in troubled countries: 19,444 in Syria, 23,700 in Libya and 5,686 in Egypt. There were .658 Million "irregular" migrants or those with illegal or no visas; they were concentrated in Malaysia at .128 Million, .100 Million in Europe and .156 Million in the US.

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<sup>1</sup> Commission on Filipinos Abroad stock estimate of permanent migrants and OFWs is based on consular records and POEA data. The Commission does not discuss the detailed sources and estimation method. Data on permanent migrants in OECD countries are based on their census but the definition of migrants differs – the US classifies migrants as those born abroad while Europe by ethnic origin.

**Table 1. Stock estimate of overseas Filipinos (in thousands), 2009**

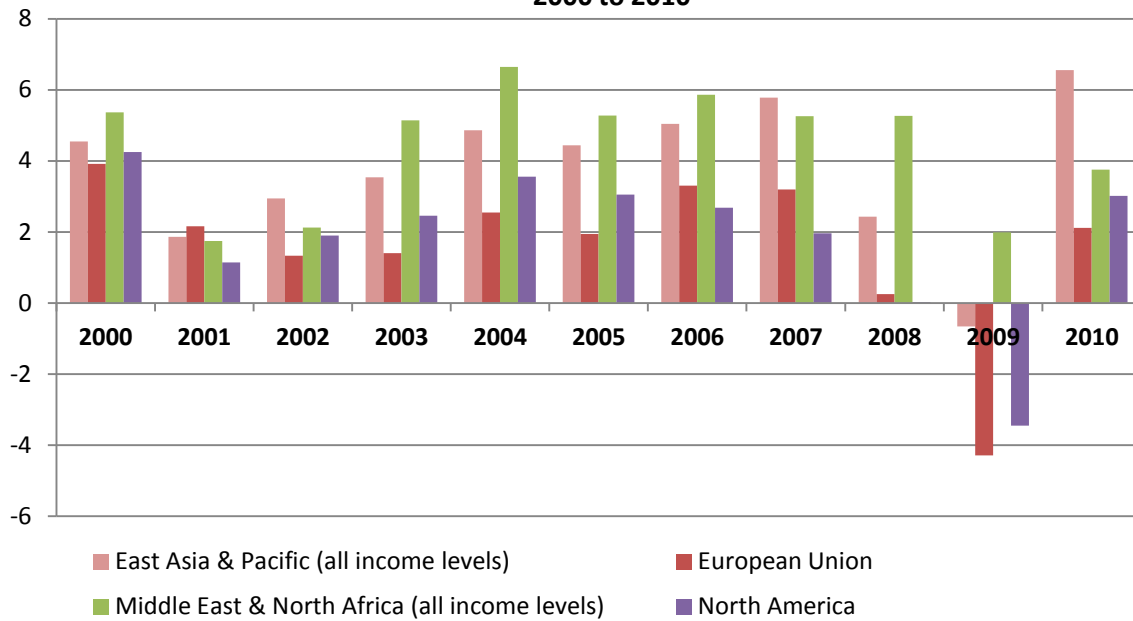
	Permanent	Temporary	Irregular	Total
<b>World Total</b>	4056.9	3864.1	658.4	8579.4
<b>Africa</b>	2.2	54.4	8.1	64.7
<b>East &amp; South Asia</b>	262.7	552.5	259.2	1074.5
Japan	146.5	29.6	34.6	210.6
Hong Kong	23.5	140	5	168.6
Malaysia	26	90	128	243.9
Singapore	42.8	64.3	56	163.1
Taiwan	8.3	83.1	2.9	94.3
<b>West Asia</b>	5.6	2294.6	115.7	2415.9
Kuwait	0.5	145.2	10	155.7
Qatar	0	258.4	5.6	263
UAE	1.7	576	32	609.7
Saudi Arabia				
<b>Europe</b>	312.4	309.9	100.2	722.4
Italy	29.7	76.8	13	119.5
UK	91.9	99.1	10	201
<b>American/Trust Territories</b>	3162.8	253.7	166.3	3582.9
Canada	553.8	79.8	6.1	639.7
US	2592.6	129.2	155.8	2877.7
<b>Oceania</b>	311.1	68.5	8.9	388.5
Australia	285	45.2	5	336.1
<b>Seabased</b>		330.4		330.4

Source: DFA, POEA, CFO

We juxtapose the trend in the economic growth rates against the flow of OFW in major destinations.



**Figure 1. GDP growth of selected country groups  
2000 to 2010**

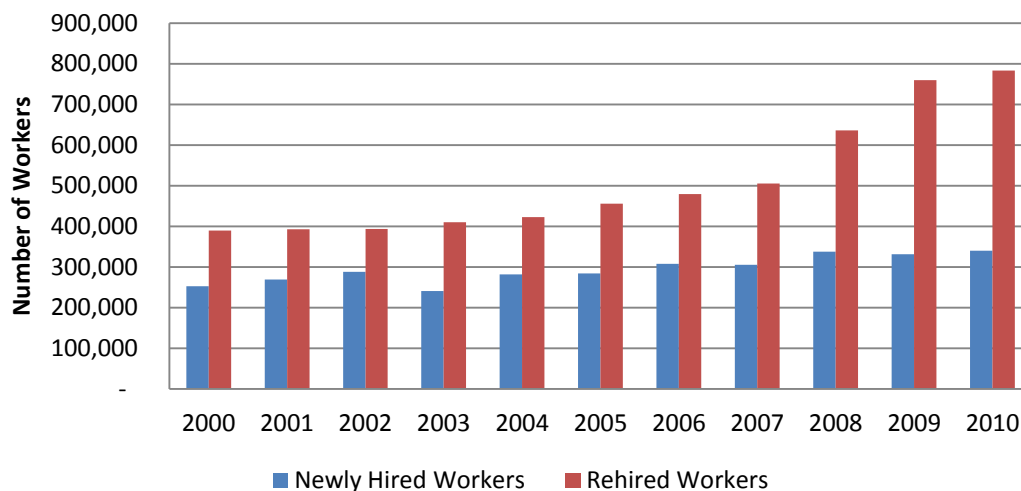


Source: *World Bank*

Economic growth differs quite substantially across the major destination regions - North America, the Middle East and North Africa, the European Union and East Asia and Pacific. There was a slowdown in all regions from fairly high performance in 2001-2003. North America recovered but continuously slowed down from 2004 to 2007 that ended in the 2008-2009 recession. It has started to recover in 2010, albeit slowly and less certainly. The European Union followed a similar trend as North America and its recession has continued to the present and may worsen in the near future. The Middle East and some countries in North Africa were beneficiaries of the oil price uptick and maintained relatively higher performance through the decade. East and South Asia sustained relatively high growth and suffered negative growth only once in 2009. It recovered strongly in 2010 at more than 6% growth rate.

Apparently, the recession in the West did not pull down the aggregate flow of OFWs; the level of deployment or flow continued to increase though slowly through the 2000-2010 period.

**Figure 2. Flow of new hires and rehires  
2000 to 2010**

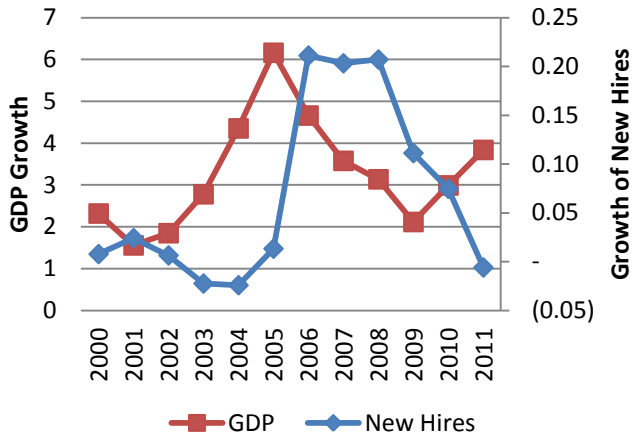


Source: POEA

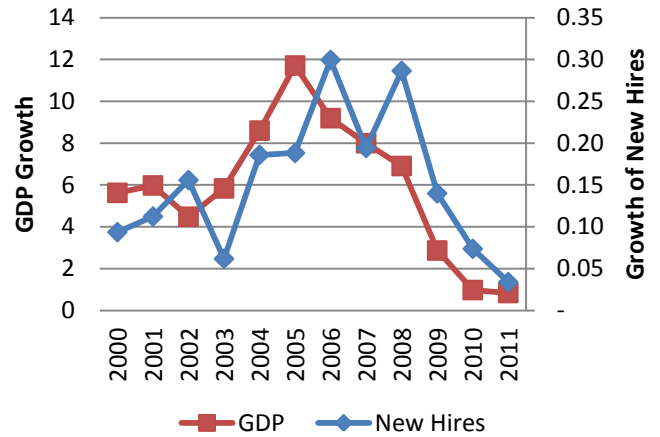
The flows vary significantly across destinations, some have declining flows, others positive flows though the total remained positive. The POEA separates new hires from rehires among the deployed or departing OFWs. New hires are considered here to reflect increase in demand. The rehires are those returning to old or existing foreign jobs. The number of OFWs returning to their foreign jobs actually increased at a faster rate from 2007 to 2010.

Drawn below are the trends in the growth rate of new hires and GDP in major country destinations in the Middle East and East Asia, and in the US, Canada and Australia.

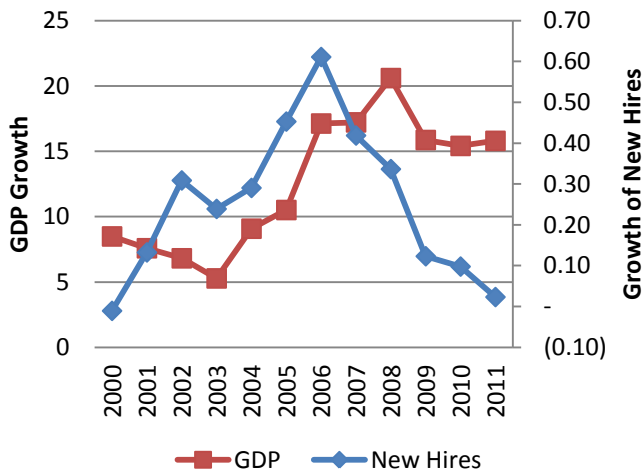
**Figure 3.1 : Saudi Arabia**



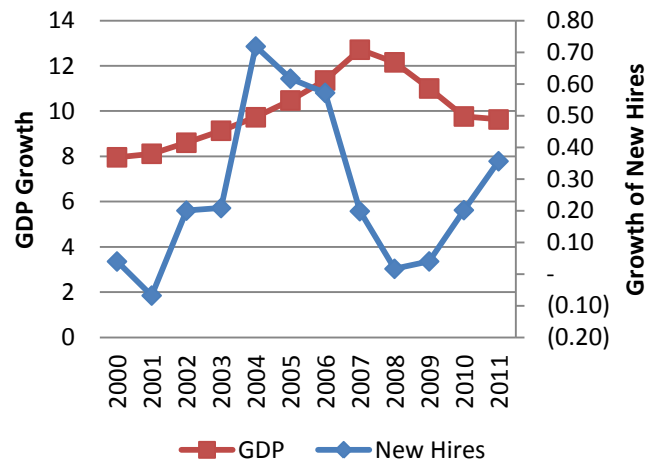
**Figure 3.2: United Arab Emirates**



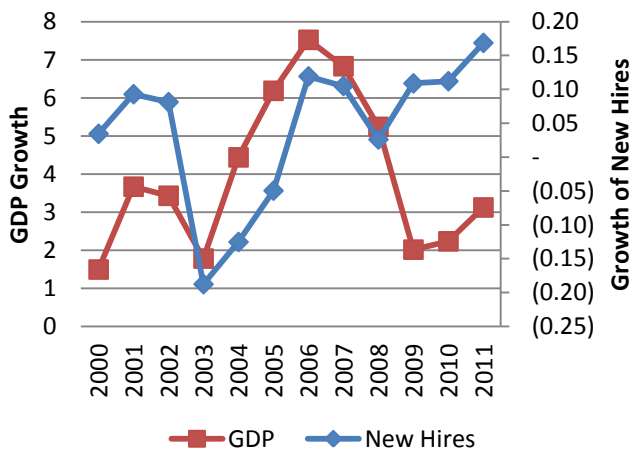
**Figure 3.3: Qatar**



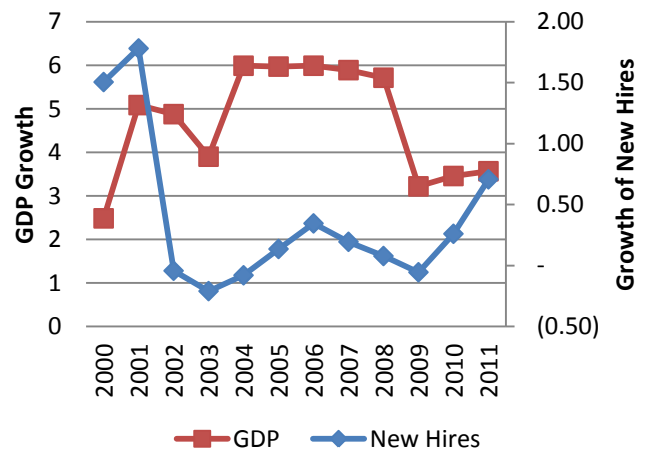
**Figure 3.4: China**



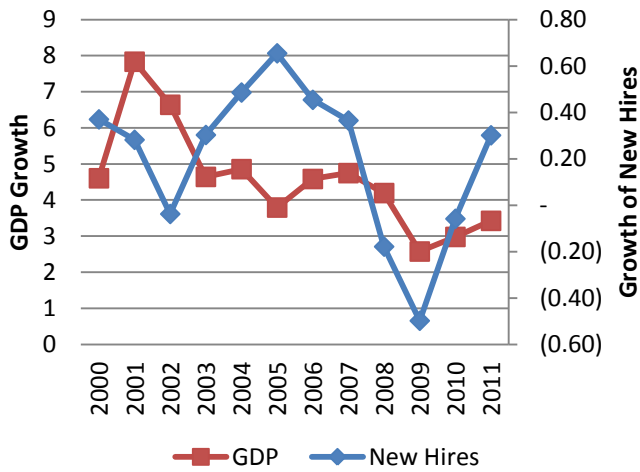
**Figure 3.5: Hong Kong**



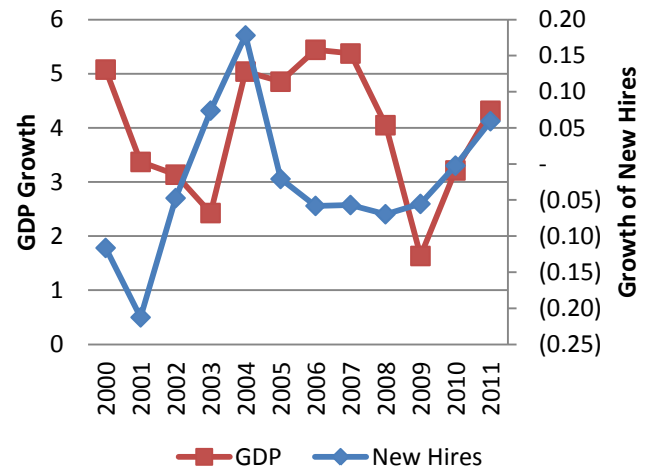
**Figure 3.6: Malaysia**



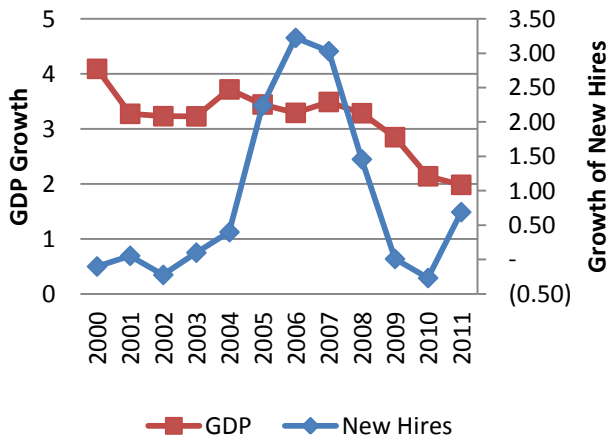
**Figure 3.7: South Korea**



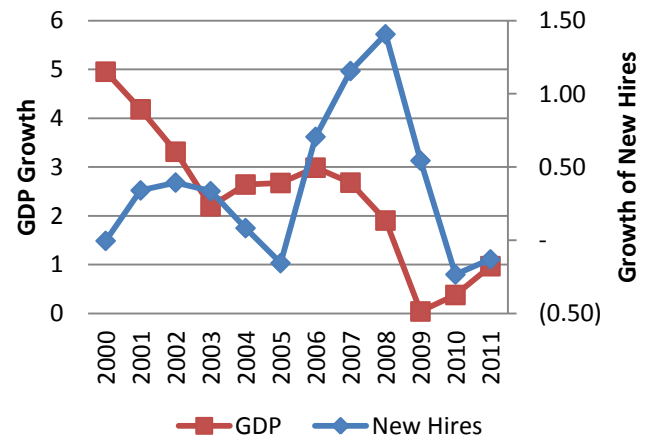
**Figure 3.8: Taiwan**



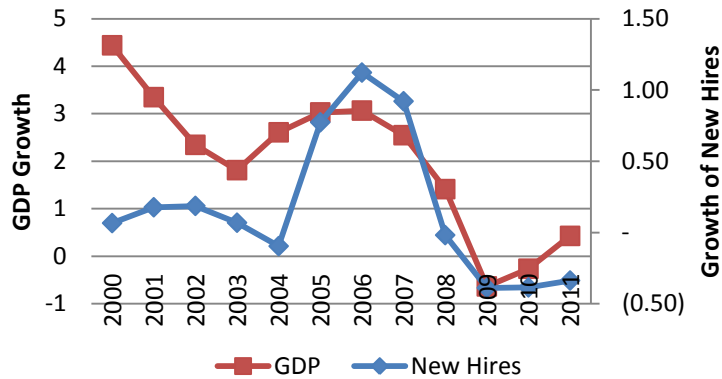
**Figure 3.9: Taiwan**



**Figure 3.11: Canada**



**Figure 3.12: United States**



We find that in some economies, demand for new foreign workers follows growth of GDP, in some, not at all. Fairly high correlation is observed for UAE, Qatar, Singapore, South Korea, Australia, Canada and the US, but insignificant for Saudi Arabia, China, Taiwan, Hong Kong and Malaysia. Saudi Arabia is the largest and longest single employers of Filipino workers. Though it gained from the oil price hike, its economy had been in a downturn from 2004 to 2009 and began to recover but slowly since. The stagnation possibly explains the slack demand for new workers. Over the 2000-2011 period, the correlation is more mixed than in the 2007-2011 period. The poor correlation over the longer period may be explained by differences in migration policy and not mainly by economic condition.

**Table 2. Correlations between GDP growth and growth rate of new hires**

	2000-2011	2007-2011
<b>Middle East</b>		
Saudi Arabia	0.10	(0.15)
United Arab Emirates	0.68	0.88
Qatar	0.23	0.69
<b>East and Southeast Asia</b>		
China	0.17	(0.55)
Taiwan	0.06	0.11
Hong Kong	0.11	(0.41)
Singapore	0.60	0.34
South Korea	0.26	0.64
Malaysia	(0.29)	(0.22)
<b>Others</b>		
Australia	0.21	0.75
Canada	0.03	0.72
United States	0.62	0.92

Source: IMF, POEA

Note: Growth rates are 3 year moving averages

### **Section 3. Effect of Recession on New Hires by Occupation**

It is argued above that immigration policy and income elasticity of demand for particular skills determine the effect of the world disturbances on the outflow of workers by skill or occupation. Immigration policy particularly on foreign workers differs across countries. Singapore for instance has an explicit policy of allowing entry of highly skilled workers and domestic workers. The highly skilled or those with professional and scientific education as well as recognized artists are given generous visas ostensibly to enrich their business, scientific and artistic capabilities. Domestic helpers are allowed entry mainly to encourage housewives to join

the labor force and increase their value added to society. The US has always encouraged the immigration of talented people so majority of its immigrants are professionals and scientists. At the same time, the US, Australia and Canada provide visas for family reunification and other humanitarian reasons. Apparently Taiwan and South Korea are experiencing some labor tightening for they have been importing mainly production workers.

We have the distribution of new hires in 2011 by skill and destination. Mostly service workers went to the UAE, Qatar and Singapore and Canada; the services workers were largely for domestic workers in the first three countries. In Canada, less than 1% are domestic workers, the others were caregivers and service workers in the hospitality industry. The US gives working visas largely for professional workers. Over the last decade, professional workers comprised 72% of the total entry. Note the drastic fall in new hires from an average of more than 3,000 in the 2000-2011 to only 903 in 2011. Australia imported largely production workers that averaged 62.3% in 2000-2011, up to 67.1% in 2011. Saudi Arabia hired a more mixed occupational groups of workers – 44% production workers, 21% professionals and 29% service workers of which only 11% were for domestic work. Virtually all OFWs in Hong Kong were domestic workers while in South Korea and Taiwan, the great majority were production workers, 84% and 66%, respectively.

**Table 3. Newly Hired OFW Distribution by Destination, 2011**

	Australia	Canada	US	Saudi Arabia	UAE	Qatar	Hong Kong	Singapore	South Korea	Taiwan
Administrative and Managerial Workers	1.30	0.58	2.44	0.23	0.48	0.32	0.05	2.05	0.22	-
Agricultural Workers	1.44	2.37	0.22	0.55	0.11	0.04	-	0.08	0.06	0.003
Clerical Workers	0.35	3.74	0.55	2.30	8.13	3.73	0.00	2.42	0.06	-
Production Workers	67.09	13.16	14.17	47.73	21.20	33.21	0.47	5.24	81.89	77.88
Professional, Medical, Technical and Related Workers	17.70	1.11	63.90	24.91	6.57	10.28	0.92	13.21	16.69	1.40
<i>Nurses</i>	2.00	0.24	1.66	10.76	1.01	1.18	-	5.23	-	-
<i>Professional</i>										
Sales Workers	2.88	0.51	0.22	1.15	5.40	2.48	0.00	2.95	0.06	0.01
Service Workers	6.17	77.23	17.28	21.76	57.44	49.11	98.14	73.22	0.86	20.70
<i>Domestic Workers</i>	1.96	0.68	2.88	10.50	37.71	35.29	98.13	66.42	0.77	0.44
<b>TOTAL NUMBER OF WORKERS</b>	<b>1,735</b>	<b>4,142</b>	<b>903</b>	<b>108,786</b>	<b>66,744</b>	<b>42,318</b>	<b>28,713</b>	<b>15,845</b>	<b>3,241</b>	<b>32,113</b>

Source: POEA

**Table 4. Newly Hired OFW Distribution by Destination, 2000 to 2011**

	Australia	Canada	US	Saudi Arabia	UAE	Qatar	Hong Kong	Singapore	South Korea	Taiwan
Administrative and Managerial Workers	1.77	0.22	1.10	0.16	0.33	0.27	0.02	1.91	0.09	0.002
Agricultural Workers	2.27	1.77	0.39	0.53	0.15	0.04	0.002	0.06	0.22	0.004
Clerical Workers	0.83	2.51	0.83	2.47	9.72	4.90	0.01	2.45	0.07	0.20
Production Workers	62.30	14.01	9.23	44.32	23.37	45.06	0.06	9.19	84.16	66.04
Professional, Medical, Technical and Related Workers	15.90	3.63	71.79	21.31	6.98	9.59	0.38	22.91	14.70	1.37
<i>Nurses Professional</i>	1.35	2.35	34.4*	8.03	1.27	0.93	0.0004	7.69	-	0.21
Sales Workers	5.63	0.74	0.35	1.17	7.73	2.62	0.003	2.55	0.07	0.001
Service Workers	6.45	75.54	14.44	28.78	50.59	36.39	99.45	58.70	0.58	32.12
<i>Domestic Workers</i>	0.86	7.43	2.50	10.65	23.84	22.14	93.27	53.54	0.36	2.90
<b>TOTAL NUMBER OF WORKERS</b>	<b>9,892</b>	<b>45,801</b>	<b>33,452</b>	<b>1,001,227</b>	<b>441,220</b>	<b>263,611</b>	<b>269,518</b>	<b>55,701</b>	<b>47,367</b>	<b>368,176</b>

Source: POEA

\* Includes workers deployed thru Employment-based Immigration scheme



It is also argued that at the macro level, the income elasticity of demand for labor differs across skills (labor of particular skill or occupation). A recession is likely to affect production skills more than personal and social service skills. A drop in demand for goods directly leads to a drop in demand for the production workers. A drop in demand for residential and industrial buildings directly leads to a drop in demand for construction workers. Social services are generally largely provided by governments and philanthropic institutions and may not be directly affected by economic fluctuations. Personal services are largely appropriated by the affluent class who tend not to be as seriously hurt by a recession. They have assets to support their lifestyle. For these reasons, we expect differential impact of the recession on the employment of production and service workers. Table 5 shows that from 2007 to 2010, the number of new hires in all occupations except service and administrative and managerial workers fell. In earlier years, the outflow in most occupations generally increased.

**Table 5. Deployed landbased Overseas Filipino Workers by major occupational category  
2007, 2008, 2009, 2010**

Deployed New Hires	2007	2008	2009	2010
Administrative and Managerial Workers	1,139	1,516	1,290	1,439
Agricultural Workers	952	1,354	1,349	1,122
Clerical Workers	13,662	18,101	15,403	10,706
Production Workers	121,715	132,295	117,609	120,647
Professional, Medical, Technical and Related Workers	43,225	49,649	47,886	41,835
Sales Workers	7,942	11,525	8,348	7,242
Service Workers	107,135	123,332	138,222	154,535
Others	10,613	494	1,645	2,753
<b>TOTAL</b>	<b>306,383</b>	<b>338,266</b>	<b>331,752</b>	<b>340,279</b>

Source: POEA

The employment of seamen has been sustained over the 2006-2010 period. Table 6 gives a breakdown of seamen by type of vessel – passenger, tanker, etc. Employment in shipping was sustained through the 2006-2011 period. Those in passenger shipping recovered much more rapidly than those in cargo shipping, 54.5% versus 10.7% from 2007 to 2010.

**Table 6. Deployment of seafarers by vessel type**

<b>Vessel Type</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Passenger	46,752	47,782	44,866	61,705	69,298
Bulk Carrier	45,697	42,357	46,732	62,229	67,247
Container	32,156	31,983	36,614	44,276	44,691
Tanker	28,377	25,011	24,056	30,459	28,065
Oil/Product Tanker	12,908	14,462	15,702	22,366	23,319
Chemical Tanker	6,709	7,902	10,891	17,179	19,617
General Cargo	11,387	10,754	11,763	14,695	14,740
Tugboat	5,875	6,610	7,205	10,347	10,396
Pure Car Carrier	5,827	5,743	6,398	7,918	9,091
Gas Tanker	not available	3,471	4,235	6,187	7,197
<b>TOTAL</b>	<b>230,022</b>	<b>226,900</b>	<b>244,144</b>	<b>329,728</b>	<b>339,608</b>

Source: POEA

**Table 7. Growth of deployment of seafarers by vessel type**

<b>Vessel Type</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Passenger	2.2	-6.1	37.5	12.3
Bulk Carrier	-7.3	10.3	33.2	8.1
Container	-0.5	14.5	20.9	0.9
Tanker	-11.9	-3.8	26.6	-7.9
Oil/Product Tanker	12.0	8.6	42.4	4.3
Chemical Tanker	17.8	37.8	57.7	14.2
General Cargo	-5.6	9.4	24.9	0.3
Tugboat	12.5	9.0	43.6	0.5
Pure Car Carrier	-1.4	11.4	23.8	14.8
Gas Tanker	not available	22.0	46.1	16.3
<b>TOTAL</b>	<b>-1.4</b>	<b>7.6</b>	<b>35.1</b>	<b>3.0</b>

Source: POEA

#### Section 4. Migrants' Remittances

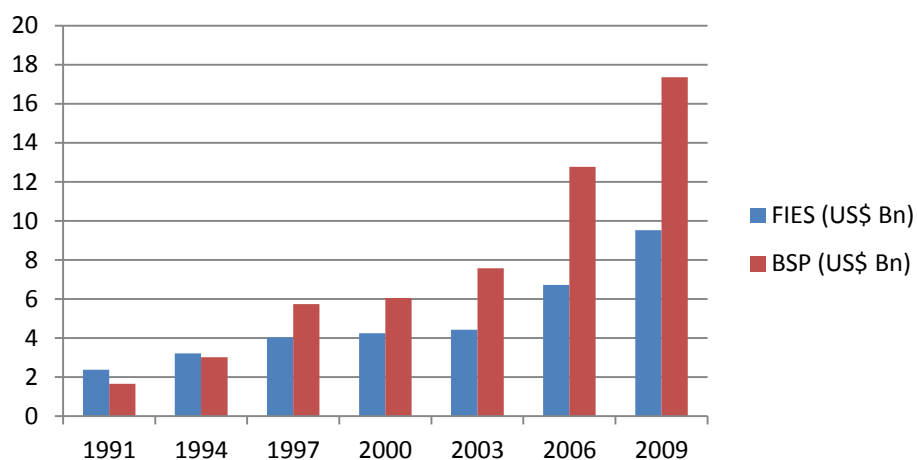
What migrants remit is principally determined by their foreign income and their immigration status. Emigrants or permanent settlers who live with their families abroad or are planning on bringing them there are expected to remit smaller part of their foreign income, if at all. They may send gifts or some financial support to relatives and friend left behind but the obligation is not as tight as in the case of OFWs. They may however, make investments in a second home and other assets in the Philippines. OFWs work abroad on temporary though

renewable contracts. It is assumed that much of the income they earn abroad is remitted to the families they leave behind. They remit for daily consumption and for investment in the schooling of their children, housing and financial assets. They have the choice of placing their saving in domestic or in foreign financial institutions.

Foreign wage varies across destinations. There is labor market segmentation across economies and wage rates for workers of given human capital may vary substantially. North America and Australia are exceptions for they cover migrant labor with fair labor laws including competitive wage rates. Most other host countries have discriminatory labor policy for migrant labor, some explicit, some implicit. A nurse in Saudi Arabia receives an average entry monthly wage of about \$500 while one in the UK, \$2000 and one in the US \$3,000. A maid in Hong Kong is paid on average \$400-500 monthly wage while that in Singapore \$300, and lower in the Middle East. The aggregate remittance therefore depends partly on where and what jobs the OFWs are employed. The drastic decline in the number of new hires going to the high- wage economies of the US, Canada and Australia since 2007 would reduce total remittance more than an equal decline in new hires in the Middle East.

So far remittances have continued to grow though at a slower rate in the last four years. Two sets of data on remittances are available, the remittances reported by the banking system to the the Bangko Sentral ng Pilipinas, BSP, the other the remittances received by households with overseas workers collected in the Family Income and Expenditures Survey, FIES, by the National Statistics Office, NSO. The remittances received by households are likely to be smaller than those received by banks. Some OFWs keep separate bank accounts and use one for remittance to their families, apparently for agreed consumption and other expenditures. Some remittances are made for direct payment of mortgages and education expenditures and are not coursed to households. According to Ducanes (2010), the remittances could also be smaller because the survey may have undercounted the migrant workers themselves. The FIES could have failed to enumerate households composing of persons who had lived alone and have now migrated. Same is true for couples who left for work abroad together and do not have any children left behind. Any remittances they may have made will not be reflected in the FIES. Figure 4 shows very substantial difference between the BSP and the FIES remittance data.

**Figure 4: Total Cash Remittances (in Billion US\$)**



Source: FIES, BSP

Note: FIES remittances are converted to dollars using average annual exchange rates provided by the BSP

From 2001-2002 to 2005-2006, bank-reported remittances increased at double digit annual rate averaging 16.3%. It began to slow down beginning in 2009 with the growth rate of remittances falling from 13.7% in 2008-2009 to 5.6% in 2009-2010 and 7.2% in 2010-2011. There was a wider fluctuation in annual remittances to households but like the BSP figures, there was a drastic drop in 2008-2009 and 2009-2010. This big drop in growth of remittances despite the sustained deployment of OFWs may be explained by the decline in the flow of migrants to the high-wage Western economies. The OFWs who earn relatively high wage rates in these economies would tend to remit more than the OFWs in low-wage economies.

## Section 5. Concluding Remarks

So far, the recession in the West has had a relatively mild impact on the aggregate demand for the country's workers and aggregate remittances. Until 2011, both continued to rise, albeit at slower rates. But then, the recession had not spread to the whole world economies; it has slowed down the performance of a number of countries but not all. Some economies, particularly in East Asia, have been able to surmount the Western recession and the oil price hike. The Middle East continued to enjoy the high price of oil. But the unresolved recession in Europe and uncertain and slow recovery in the US are posing great uncertainty in the world business community. In both the US and Europe, short-run and long-run solutions to the recession and large debt overhand continue to be debated in the highest political arena. But the debate has gone on for too long and there is great uncertainty as to what and when these leading economies will come to a solution, and whether they will actually make the

appropriate one. Many economies are slowing down and this will definitely affect the foreign markets for our workers. We conclude the paper in a rather pessimistic mood for demand for our workers and the remittance they will send would depend on how the world economy performs in the next months and years. On the other hand, most economies have the capacity to respond to certain stimuli. As discussed earlier, many economies have acquired the political and economic capabilities for sustained high growth. The next year or two could be time of fast recovery or wider world slowdown.

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