OECD Development Pathways

Interrelations between Public Policies, Migration and Development in the Philippines

OECD DEVELOPMENT CENTRE

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Foreword

The Philippines has developed institutions, policies and good practices for governing the various phases and types of migration by virtue of decades of experience as a source country for international migrants. The creation of the Sub-Committee on International Migration and Development (SCIMD) in 2014 was one step forward in its pursuit of multi-level migration governance. The policy-making approach has also evolved from a primary concern to increase overseas employment opportunities, to an emphasis on migrant protection and the linkages with development. Recent attention to development has led to the inclusion of international migration in the two national development plans, the Philippine Development Plan 2011-2016, which continued in the newly approved Philippine Development Plan 2017-2022.

In this context, the OECD Development Centre and the European Commission began a project to provide empirical evidence on the interrelations between public policies, migration and development (IPPMD) in ten countries around the world, including the Philippines. This report, which presents the Philippines's findings, is the result of four years of fieldwork, empirical analysis and policy dialogue, conducted in collaboration with the Scalabrini Migration Center, and with strong support from the Commission on Filipinos Overseas.

The report examines how the various dimensions of migration affect key policy sectors – the labour market, agriculture, education, and investment and financial services. It also analyses how policies in these sectors influence a range of migration outcomes, such as the decision to migrate, the use of remittances and the success of return migration. The empirical analysis is based on fieldwork in the Philippines, which involved collecting quantitative data from 1 999 households and 37 communities across four provinces, and conducting 40 qualitative stakeholder interviews.

This report is published in parallel with nine other country reports and one comparative report, which analyses the cross-country findings and provides a coherent policy framework drawn from the fieldwork and analysis in the ten partner countries. The Philippine report is intended as a toolkit for better understanding the role that public policies play in the migration and development nexus. It also aims to foster policy dialogue and provide guidance on how best to integrate migration into national development strategies. Building on discussions with key stakeholders and policy makers

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in the Philippines, the OECD Development Centre and the Scalabrini Migration Center look forward to continuing their co-operation to enhance the positive contribution of migration to the country's sustainable development.

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The team was led by David Khoudour, Head of the Migration and Skills Unit, under the guidance of Mario Pezzini, Director of the OECD Development Centre. The report was drafted by Lisa Andersson, Maruja M. B. Asis, Graziano Battistella, Bram Dekker, Jason Gagnon, Hyeshin Park and Jorge V. Tigno. Fiona Hinchcliffe edited the report and the OECD Development Centre's publications team, led by Delphine Grandrieux, turned the draft into a publication. The cover was designed by Aida Buendía. Hyeshin Park managed the overall co-ordination of the report.

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Abbreviations and acronyms

ASEAN	Association of Southeast Asian Nations
CBEP	Community-based Employment Program
CCT	Conditional cash transfer
CFO	Commission on Filipinos Overseas
DOLE	Department of Labor and Employment
FDI	Foreign direct investment
GDP	Gross domestic product
GNP	Gross national product
ILO	International Labour Organization
IPPMD	Interrelations between Public Policies, Migration and Development
LFS	Labour force survey
NEDA	National Economic Development Authority
OECD	Organisation for Economic Co-operation and Development
OFW	Overseas Filipino worker
PHP	Philippine peso (currency)
POEA	Philippine Overseas Employment Administration
SOF	Survey of Overseas Filipinos
TESDA	Technical Education and Skills Development Authority
UNDESA	United Nations, Department of Economic and Social Affairs
USD	United States dollars (currency)

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Facts and figures of the Philippines

(Numbers in parentheses refer to the OECD average)

The land, people and electoral cycle

Population (million)[d]	100.7	Official language	Filipino (Tagalog), English
Under 15 (%)[d]	31.9 (18)	Form of government	Constitutional republic
Population density (per km^2)[d]	338 (37)	Last presidential election	May 9th 2016
Land area (thousand km^2)	298.1		

The economy

GDP, current prices (billion USD)[d]	292.5	Exports of goods and services (% of GDP)[d]	28.2 (28.5)
GDP growth (%)[d]	5.9 (2.1)	Imports of goods and services (% of GDP)[d]	34.8 (28.2)
GDP per capita, PPP (thousand USD)[d]	6.9 (38.0)	GDP shares (%)[c]	
Inflation rate[d]	1.4 (0.2)	Agriculture, forestry and fishing	11.3 (1.6)
General government total expenditure (% of GDP)[c]	18.1	Industry, including construction	31.3 (24.2)
General government revenue (% of GDP)[c]	18.9	Services	57.4 (74.2)

Well-being

Life satisfaction (average on 1-10 scale)[d]	5.5 (6.5)	Proportion of population under national minimum income standard (%)[a]	25.2
Life expectancy[c]	68 (80)	Unemployment rate (%)[c]	7.1 (7.3)
Income inequality (Gini coefficient)[a]	43 (31)	Youth unemployment rate (ages 15 to 24, %)[c]	16.4 (15.9)
Gender inequality (SIGI index)[c]	0.1765 (0.0224)	Satisfaction with the availability of affordable housing (% satisfied)[d]	58 (55)
Labour force participation (% of 15 to 64 year old)[c]	67.1 (70.7)	Enrolment rates (%)	
Employment-to-population ratio (15 and over, %)[c]	60.0 (55.4)	Primary (Net)[b]	96 (96)
Households with improved sanitation facilities (%)[d]	73.9 (97.8)	Secondary (Gross)[b]	88 (103)
Expected years of schooling[b]	12.8	Tertiary (Gross)[c]	36 (70)

Notes: a) Data for 2012; b) Data for 2013; c) Data for 2014; d) Data for 2015.

Sources: World Bank (2015) *World Development Indicators* (database), *http://data.worldbank.org/*; OECD, Social Institutions and Gender Index (SIGI), *www.genderindex.org/*; IMF (2016), *World Economic Outlook Database*, International Monetary Fund, October 2016 edition; UNESCO Institute for Statistics, Data Centre, *http://stats.uis.unesco.org*; Gallup (2015), *Gallup World Poll* (database), Gallup Organisation.

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Executive summary

The view of policy makers on the role migration plays in development has changed remarkably over the past 20 years. Today, migration has a firm place amongst the Sustainable Development Goals (SDGs) and officials from countries worldwide meet annually to discuss policies that best leverage migration for development at the Global Forum on Migration and Development.

The Philippines realised the development potential of migration fairly early on thanks to its long-standing experience of migration. The *Philippine Development Plan 2011-2016* includes specific provisions on migration and development. The creation of the Sub-Committee on International Migration and Development (SCIMD) under the National Economic and Development Authorities (NEDA) in 2014 demonstrates a recognition of the importance of generating a co-ordination mechanism for policy coherence on migration and development.

Adequate data, however, continues to be an issue in ensuring that policy responses are coherent and well informed. A discussion on how migration is generally embedded in all aspects of decision making is now needed, with the goal of making policies coherent with migration and development objectives. The Interrelations between Public Policies, Migration and Development (IPPMD) project – managed by the OECD Development Centre and co-financed by the European Union – was conceived to enable this discussion in the Philippines, in collaboration with the Scalabrini Migration Center (SMC) and the Commission on Filipinos Overseas (CFO). The IPPMD project in the Philippines fulfils this goal by exploring:

1. how migration, in its multiple dimensions, affects a variety of key sectors for development, including the labour market, agriculture, education, and investment and financial services.
2. how public policies in these sectors enhance, or undermine, the development impact of migration.

This report summarises the findings of the empirical research, conducted between 2013 and 2016 in the Philippines – and presents the main policy recommendations.

A project with empirical grounding

The OECD designed a conceptual framework that explores the links between three dimensions of migration (emigration, remittances, return migration) and four key policy sectors in the Philippines: the labour market, agriculture, education, and investment and financial services. It also looked at how the policies in these four sectors influence a range of migration outcomes, including the decision to emigrate or return home, the amount of remittances sent and how they are spent.

The project is grounded in empirical evidence. Data were gathered from almost 2 000 households, interviews with 37 local authorities and community leaders, and 40 in-depth stakeholder interviews across the Philippines. Robust analysis, accounting for the Philippine political, economic and social contexts, measured the relationship between the three migration dimensions and the four key sectors.

The policy context is critical for how migration affects development in the Philippines

After more than 40 years of policies supporting sustained labour migration, migration governance is now expanding to examine how migration can be better linked to development. The research undertaken in the framework of the IPPMD project provides evidence of some links between migration and a range of key development indicators in the Philippines. It also finds that public policies that help improve market efficiency, relieve financial constraints, develop skills and reduce risk do influence individual and household-level decisions to emigrate, return home or send remittances.

Emigration can be a stronger asset for the Philippines' development than it is now. Intentions to emigrate increase with educational level; individuals with post-secondary education are more likely to plan to emigrate than poorly educated people. The opportunity to emigrate, however, can encourage people to invest more in education, possibly leading to an increase in human capital if not everyone realises their plan to emigrate. Losing labour to emigration can cause shortages in some sectors, for instance, the health sector. While the relevant skills are abundant, the sector has considerable shortages, especially in rural areas, because people with the right skills choose to leave to seek better job opportunities rather than stay in the domestic labour market. The Philippine government now sees that the migration of Filipino workers is a reflection of the lack of employment opportunities at home and has thus set a goal of creating new opportunities and decent jobs. Yet, vocational training programmes in the Philippines appear to serve people as a means to find jobs abroad according to the IPPMD surveys. It may be that the training programmes are not entirely relevant to the domestic labour market. Policies that relieve financial constraints such as agricultural subsidies and cash-based education programmes tend to curb emigration.

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Remittances can also be better capitalised for the development of the Philippines with the right policies. Remittances make a significant and increasing contribution to the Philippines' economy, accounting for 10% of the country's gross domestic product (GDP). The report finds that remittances are invested in education, but not so much on other productive investments. Sectoral policies can indirectly influence the behaviour of remittance recipients, and help leverage remittances for development by relieving financial constraints and improving market access and functioning.

Return migration is a largely underexploited resource, although this is slowly changing. Return migrants in the Philippines invest financial capital in business start-ups and self-employment. Their potential in human capital development, however, seems to be limited as few of them had acquired more education abroad and in most cases, return migrants were overqualified for their jobs in their host countries. Only a minority considered employment and investment opportunities in the Philippines as a motive for return. About 70% of return migrants reported experiencing difficulties finding a job in the Philippines on their return. It may mean that self-employment or business creation are their only options, which suggests a role for labour market policies.

Integrating migration into sectoral strategies will enhance migration's role in development

The report confirms that each of the various dimensions of migration – emigration, remittances, and return migration – has something to offer the Philippines' economic and social development, but that this potential is not being fully realised. While the Philippines does have a wide range of migration-specific policies and many good practices in migration governance, not all departments are actively involved in the discussions and not all sectoral strategies are fully considering the development potential of migration.

Therefore, greater awareness through data and analysis and a more coherent policy framework across departments and at different levels of government would get the most out of migration. Such a framework should be designed to better integrate migration into development strategies by considering migration in the design, implementation, monitoring and evaluation of relevant sectoral development policies. This would include i) better integrating migration and development into labour market policies, ii) leveraging migration for development in the agricultural sector, iii) enhancing migration-led development by facilitating investment in education, and iv) strengthening the links between migration, investment, financial services and development.

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Chapter 1

Assessment and policy recommendations in the Philippines

Migration's positive contribution to development in the Philippines is well recognised and targeted by policies designed to maximise its benefits. But less clearly understood is: i) how migration affects a variety of key development sectors in the country, including the labour market, agriculture, education, and investment and financial services; and ii) how policies in those sectors can enhance, or undermine, the development impact of migration.

The Interrelations between Public Policies, Migration and Development (IPPMD) project in the Philippines was conducted between 2013 and 2016 to explore these links through both quantitative and qualitative analysis. This chapter provides an overview of the project's findings, highlighting the ways in which migration (comprising emigration, remittances and return migration) can boost development, and analysing the sectoral policies in the Philippines that will allow this to happen.

Migration is at the core of economic and social development in the Philippines. Despite steady economic growth, underemployment and unemployment remain high. As a result, 1.8 million overseas Filipino workers (OFWs) left the country in 2014 in search of better employment opportunities. The *Philippine Development Plan 2011-2016* acknowledges migration's positive contribution to the country, while also noting that the scale of emigration of Filipino workers is indicative of the lack of employment opportunities at home (NEDA, 2011). In order to capitalise on the benefits of migration, as well as to minimise its economic, social and human costs, a Sub-Committee on International Migration and Development (SCIMD) was created in 2014 under the country's National Economic and Development Authority (NEDA).

In this context, this report aims to support the country in its goal of maximising the development potential of migration and constructing policies which stem unnecessary cost. The report provides policy makers with empirical evidence of the role played by migration in a range of policy areas that matter for development, as well as the role of non-migration public policies on migration (Box 1.1). This chapter provides an overview of the findings and summarises the main policy recommendations.

Box 1.1. **What is the IPPMD project?**

In January 2013, the OECD Development Centre launched a project, co-funded by the EU Thematic Programme on Migration and Asylum, on the **Interrelations between public policies, migration and development: case studies and policy recommendations** (IPPMD). This project – carried out in ten low and middle-income countries between 2013 and 2017 – sought to provide policy makers with evidence of the importance of integrating migration into development strategies and fostering coherence across sectoral policies. A balanced mix of developing countries was chosen to participate in the project: Armenia, Burkina Faso, Cambodia, Costa Rica, Côte d'Ivoire, the Dominican Republic, Georgia, Haiti, Morocco and the Philippines.

While evidence abounds of the impacts – both positive and negative – of migration on development, the reasons why policy makers should integrate migration into development planning still lack empirical foundations. The IPPMD project aimed to fill this knowledge gap by providing reliable evidence not only for the contribution of migration to development, but also for how this contribution can be reinforced through policies in a range of sectors. To do so, the OECD designed a conceptual framework that explores the links between four dimensions of migration (emigration, remittances,

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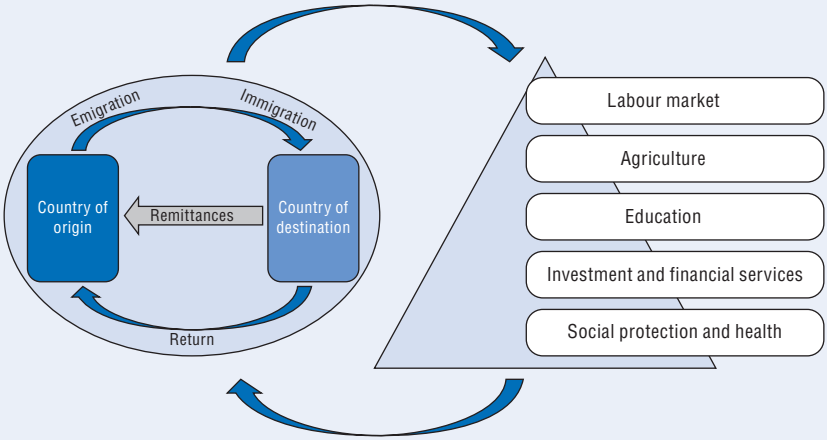
Box 1.1. **What is the IPPMD project?** *(cont.)*

return migration and immigration) and five key policy sectors: the labour market, agriculture, education, investment and financial services, and social protection and health (Figure 1.1). The conceptual framework also linked these five sectoral policies to a variety of migration outcomes (Table 1.1).

Figure 1.1. **Migration and sectoral development policies: A two-way relationship**



The methodological framework developed by the OECD Development Centre and the data collected by its local research partners together offer an opportunity to fill significant knowledge gaps surrounding the migration and development nexus. Several aspects in particular make the IPPMD approach unique and important for shedding light on how the two-way relationship between migration and public policies affects development:

- The same survey tools were used in all countries over the same time period (2014-15), allowing for comparisons across countries.
- The surveys covered a variety of migration dimensions and outcomes (Table 1.1), thus providing a comprehensive overview of the migration cycle.
- The project examined a wide set of policy programmes across countries covering the five key sectors.
- Quantitative and qualitative tools were combined to collect a large new body of primary data on the ten partner countries:
  1. A **household survey** covered on average around 2 000 households in each country, both migrant and non-migrant households. Overall, more than 20 500 households, representing about 100 000 individuals, were interviewed for the project.
  2. A **community survey** reached a total of 590 local authorities and community leaders in the communities where the household questionnaire was administered.

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Box 1.1. **What is the IPPMD project?** *(cont.)*

3. **Qualitative in-depth stakeholder interviews** were held with key stakeholders representing national and local authorities, academia, international organisations, civil society and the private sector. In total, 375 interviews were carried out across the ten countries.

- The data were analysed using both descriptive and regression techniques. The former identifies broad patterns and correlations between key variables concerning migration and public policies, while the latter deepens the empirical understanding of these interrelations by also controlling for other factors.

Table 1.1. **Migration dimensions and migration outcomes in the IPPMD study**

	Migration dimensions	Migration outcomes
Emigration	**Emigration** happens when people live outside of their countries of origin for at least three consecutive months.[a]	The **decision to emigrate** is an important outcome for the countries of origin, not only because it may lead to actual outflows of people in the short term, but also because it may increase the number of emigrants living abroad in the long term.
Remittances	**Remittances** are international transfers, mostly financial, that emigrants send to those left behind.[b]	The **sending and receiving of remittances** includes the amount of remittances received and channels used to transfer money, which in turn affect the ability to make long-term investments. The **use of remittances** is often considered as a priority for policy makers, who would like to orientate remittances towards productive investment.
Return migration	**Return migration** occurs when international migrants decide to go back to and settle in, temporarily or permanently, their countries of origin.	The **decision to return** is influenced by various factors including personal preferences towards home countries or circumstances in host countries. Return migration, either temporary or permanent, can be beneficial for countries of origin, especially when it involves highly skilled people. The **sustainability of return** measures the success of return migration, whether voluntary or forced, for the migrants and their families, but also for the home country.
Immigration	**Immigration** occurs when individuals born in another country – regardless of their citizenship – stay in a country for at least three months.	The **integration of immigrants** implies that they have better living conditions and contribute more to the development of their host and, by extension, home countries.

Note: a) Due to the lack of data, the role of diasporas – which often make an active contribution to hometown associations or professional or interest networks – is not analysed in this report.; b) Besides financial transfers, remittances also include social remittances, i.e. the ideas, values and social capital transferred by migrants. Even though social remittances represent an important aspect of the migration-development nexus, they go beyond the scope of this project and are therefore not discussed in this report.

The OECD Development Centre and European Commission hosted a dialogue on tapping the benefits of migration for development through more coherent policies in October 2016 in Paris. The event served as a platform for policy dialogue between policy makers from partner countries, academic experts, civil society and multilateral organisations. It discussed the findings and concrete policies that can help enhance the contribution of migration to the development of both countries of origin and destination. A cross-country comparative report and the ten country reports will be published in 2017.

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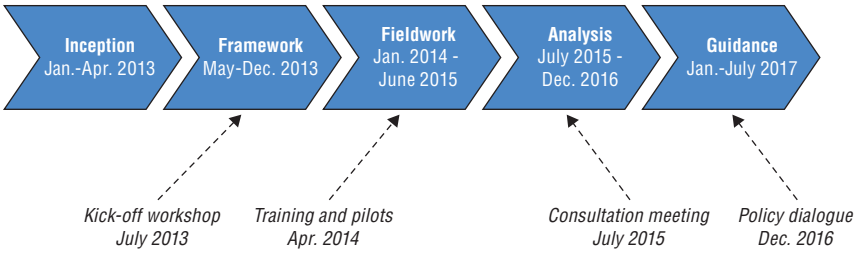
How did the IPPMD project operate in the Philippines?

The IPPMD project was carried out in close collaboration with a government focal point, the Commission on Filipinos Overseas (CFO). Acting as the main link between the OECD and policy makers in the Philippines, the CFO helped the IPPMD team gather information on migration policies and data and played a significant role in organising local events and bilateral meetings with key stakeholders. The IPPMD team also worked closely with a local research institution, the Scalabrini Migration Center (SMC), to ensure the smooth running of the project. SMC helped organise country-level events, contributed to the design of the research strategy in the Philippines, conducted the fieldwork and co-drafted the country report.

The IPPMD project team also organised several local workshops and meetings with support from the Delegation of the EU to the Philippines. The various stakeholders who participated in these workshops and meetings and who were met during the missions to the Philippines played a role in strengthening the network of the project partners and setting the research priorities in the country.

A kick-off workshop organised in July 2013 in Manila launched the project in the Philippines (Figure 1.2). The workshop served as a platform to discuss the focus of the project in the country with national and local policy makers, and representatives of international organisations, employer and employee organisations, civil society organisations and academics. Those present agreed that the project in the Philippines should focus only on emigration and not on immigration. Following lively and diverse discussions, the IPPMD project team decided to focus the analysis on four sectors: i) the labour market; ii) agriculture; iii) education; and iv) investment and financial services.

Figure 1.2. **IPPMD Project timeline in the Philippines**



Following a training workshop and pilot tests conducted by the IPPMD project team, the SMC collected quantitative data from 1 999 households and 37 communities and conducted 40 qualitative stakeholder interviews (Chapter 3). The team organised a consultation meeting in July 2015 to present the preliminary findings to relevant stakeholders, including policy makers, academic researchers and civil society organisations in the Philippines. The meeting discussed the different views on and interpretations of the preliminary

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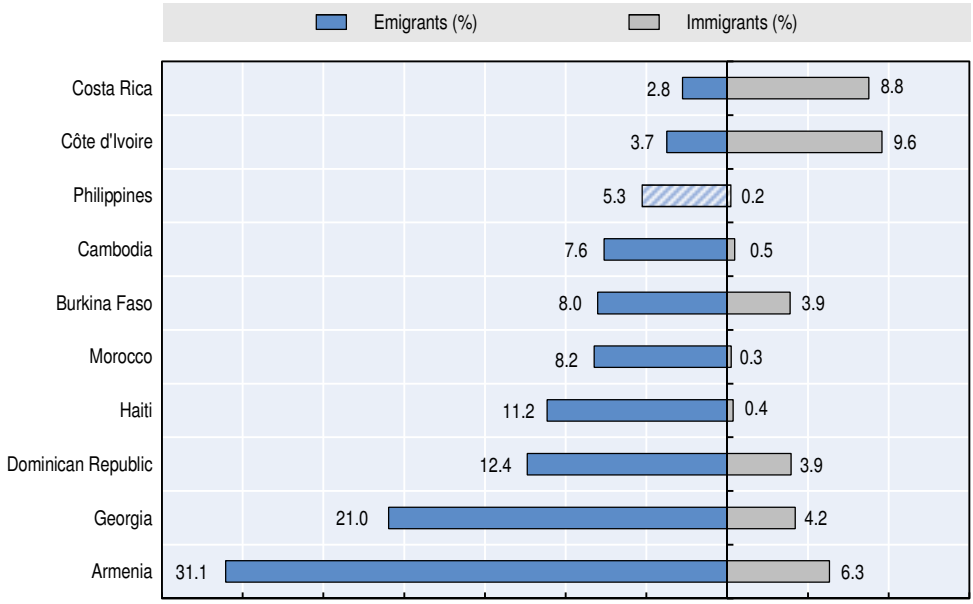
results and fed into further analysis at the country level. A policy dialogue in December 2016 shared the highlights of the ten-country comparative study, along with the main findings of the Philippine study and their policy implications. The dialogue coincided with stakeholder consultations and preparations for the *Philippine Development Plan 2017-2022*, the roadmap for national development planning.

Emigration can be a stronger asset for development than it is now

The Philippines is mainly a source country of emigrants. Data from the United Nations Department of Economic and Social Affairs (UN DESA) indicate that there were an estimated 5.3 million Filipino emigrants in 2015, around 5.3% of the Philippines' total population (UN DESA, 2015). This share is lower than for most of the other IPPMD partner countries (Figure 1.3). However, the Commission on Filipinos Overseas (CFO) estimates the numbers of emigrants to be far higher: as of December 2013, the population of Filipinos overseas stood at 10.2 million, or roughly 10% of the total population. The difference between the two figures is mostly explained by the fact that CFO data also include Filipinos born abroad, who are not technically "migrants".[1]

Figure 1.3. **The Philippines is a country of net emigration**

Emigrant and immigrant stocks as a percentage of the population (2015)



Note: Data come from national censuses, labour force surveys, and population registers.

Source: UNDESA (2015), *International Migration Stock: The 2015 Revision* (database), *www.un.org/en/development/desa/population/migration/data/estimates2/estimates15.shtml.*

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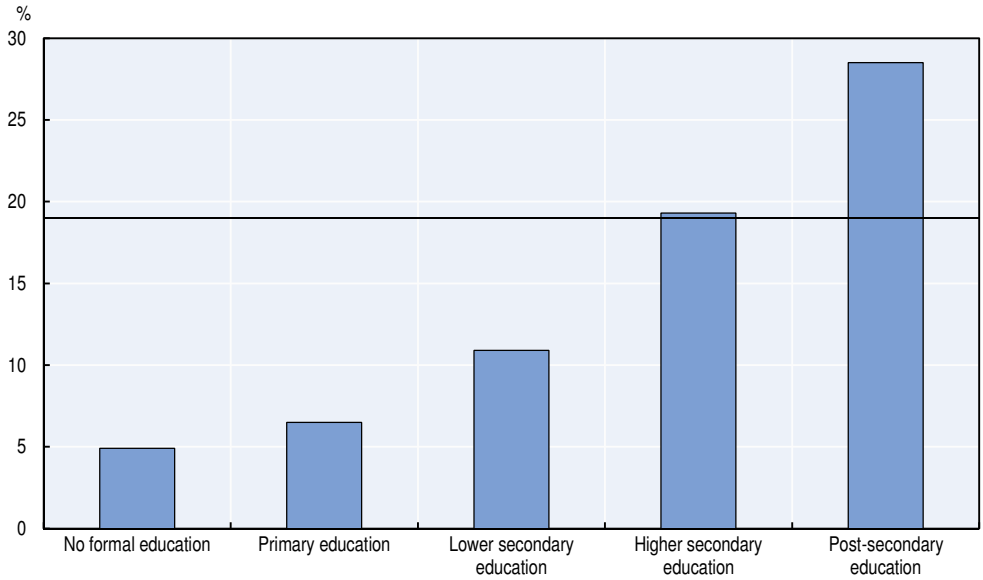
While losing labour to emigration can be detrimental, emigration can revitalise the labour market

How emigration affects a country's human capital stock depends on the education and skills profile of those who leave. Data from the IPPMD Philippines show that intentions to emigrate increase with education level: individuals with post-secondary education are most likely to plan to emigrate (Figure 1.4). They also show that the Philippines is losing more highly-skilled workers than less-skilled to emigration (Chapter 4). More highly educated and skilled individuals are better able to access information, which is an important resource for making migration possible.

Figure 1.4. **Highly educated Filipinos are more likely to plan to emigrate**

Share of individuals planning to emigrate (%), by education level



Note: To better capture those individuals who have completed post-secondary education, the cut-off age for adults in these estimations is 20 years and above (compared to 15 years in other parts of the report).

Source: Authors' own work based on IPPMD data.

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However, the de-skilling of Filipino emigrants is of concern: emigrants predominantly hold less skilled occupations in their new destination countries than the ones they held prior to emigrating. This enduring issue is worrying, in particular for young Filipino migrants who may experience increasingly limited job choices and find themselves trapped in low-skilled employment in their host country (Asis and Battistella, 2013).

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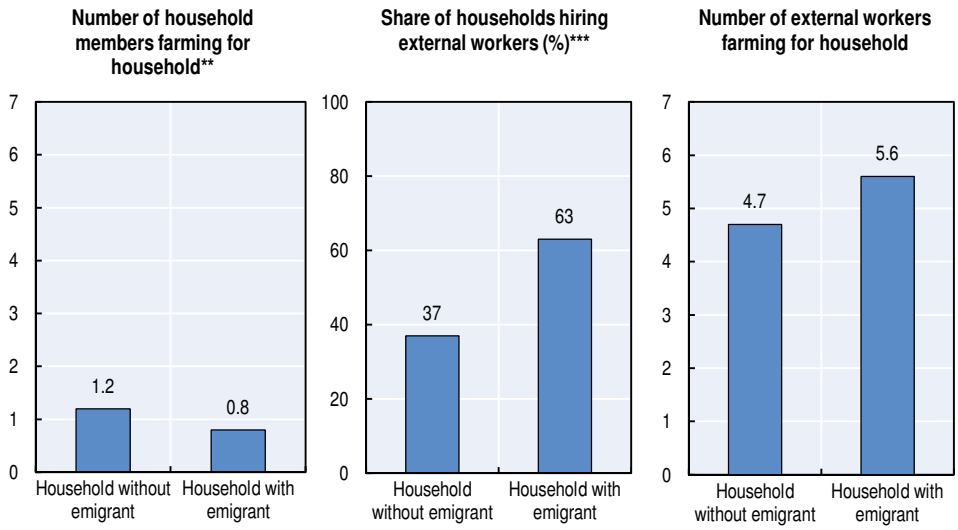
Despite the plentiful labour supply in the Philippines, losing labour to emigration – especially the highly educated and skilled – can cause shortages in specific sectors. The IPPMD research found that among the four key sectors (agriculture, construction, education and health), the health sector seems to be the most affected by emigration (Chapter 4). Stakeholder interviews in Manila also noted the health sector has considerable shortages, especially in rural areas. Most people with relevant skills choose to leave to seek better job opportunities, rather than stay in the domestic market.

When a household member (especially those who were working) emigrates, their departure increases the probability that the remaining household members will have to work unless the emigrant sends remittances home. This may be exacerbated in rural areas where more households are working in agriculture and requires more labour than in urban areas. The IPPMD results find that agricultural households with emigrants are more likely to hire workers from outside the household (Figure 1.5), probably to compensate for the loss of labour from the departed member. This may imply that emigration is helping to revitalise the labour market. In the longer term, a significant drop in labour supply caused by emigration can reduce competition for jobs in the labour market, which in turn would tend to decrease unemployment and increase wage levels.

Figure 1.5. **Emigrant households have fewer family workers and are more likely to hire in external labour**

Use of labour in agricultural activities by emigrant and non-emigrant households



Note: Statistical significance calculated using a t-test (1st and 3rd graph) and a chi-squared test (middle graph) is indicated as follows: ***: 99%, **: 95%, *: 90%.

Source: Authors' own work based on IPPMD data.

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How do sectoral policies influence emigration?

Despite the positive opportunities emigration brings to origin countries, its contribution to development is not fully realised. This is either because the households left behind do not have the tools to overcome the negative short-term effects associated with the departure of one or several members of the households, or because the country lacks adequate mechanisms to harness the development potential of emigration. The way policies affect emigration is not always straightforward.

Policies that facilitate job matching and address skills mismatches in the domestic labour market affect emigration

A mismatch between skills demand and supply can be another reason why people emigrate. This can occur when the education and training systems fail to develop the skills required by the labour market. Increasing the quality and provision of vocational training programmes can allow people to gain the skills required to find better jobs in the domestic labour market, thereby reducing the incentive to emigrate. However, if training does not lead to the right job or a higher income, this may increase the incentive to search for jobs abroad. The IPPMD empirical analysis suggests that people are more likely to have plans to emigrate when they receive vocational training (Chapter 4). It may be that the training programmes are not relevant to the domestic labour market. It is also possible that people participate in vocational training programmes specifically to find jobs abroad.

In some cases, the right jobs may be available, but employers and potential employees do not always find each other. Active labour market policies, especially government employment agencies, can facilitate job searches and reduce intentions to emigrate. The Philippine research found that those who found a job via government employment agencies are less likely to have plans to emigrate (14%) than those who did not benefit from such agencies (21%). Individual characteristics partly explain this pattern. Beneficiaries of government employment agencies are more likely than non-beneficiaries to have higher education levels and to hold jobs in the public sector, which are seen as secure occupations (Chapter 4).

Relieving financial constraints can curb emigration

Since most people migrate because they want to improve their living conditions, one would expect that policies that relieve household financial constraints – such as subsidies, cash transfers and other types of financial aid – would help dissuade people from emigrating. Empirical evidence from the IPPMD project in the Philippines finds that households receiving agricultural subsidies are less likely to have an emigrant (Chapter 5). The descriptive

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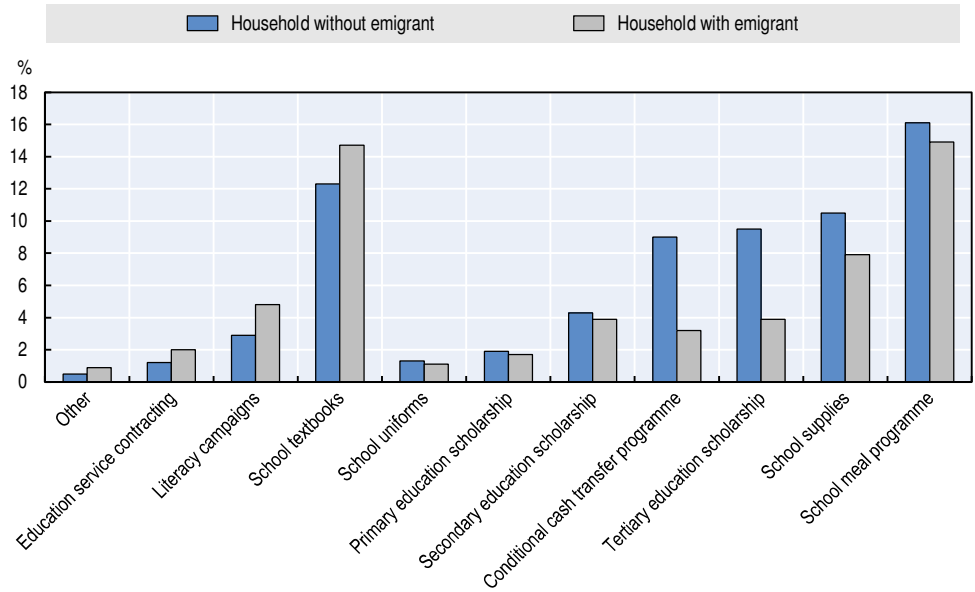
statistics show that the share of households with an emigrant is lower amongst households benefiting from an agricultural subsidy than those not benefiting (11% versus 27%). This lends support to the notion that by boosting household income, agricultural subsidies may help curb emigration.

Cash-based education programmes – such as conditional cash transfer (CCTs) programmes and scholarships for tertiary education – also appear to reduce emigration in the Philippines (Chapter 6). Households benefitting from these programmes are less likely to have emigrants (Figure 1.6). Regression analysis also shows that households benefitting from cash-based programmes are less likely to have had a household member emigrate in the past five years (Chapter 6). This suggests that such programmes lower the need for households to emigrate in order to finance their children's education through remittances. In addition, the conditions attached to these programmes may act as barriers to emigration by raising the costs involved. However, as emigrant households tend to be wealthier, while CCT programmes in the Philippines are directed towards poor households, establishing causality is complicated and these results need to be interpreted with some caution.

Figure 1.6. **Households benefitting from cash-based education programmes are less likely to have emigrants**

Share of households benefiting from education policies in the past five years, by migration experience



Note: The sample includes households with children aged 6-20 years old. Households with emigrants include households which had a member emigrating abroad in the five years prior to the study. Details of the various programmes are given in Chapter 6.

Source: Authors' own work based on IPPMD data.

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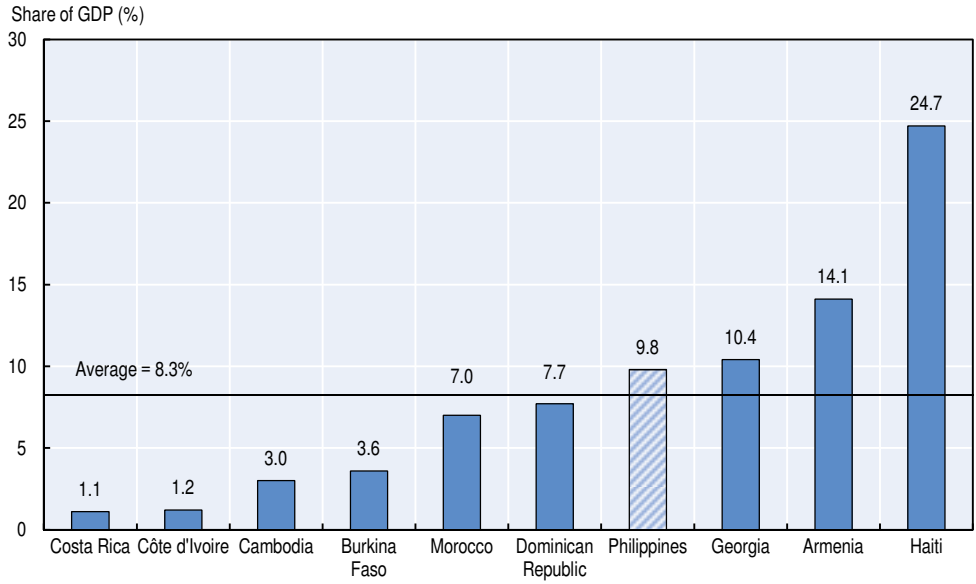
Remittances could be better capitalised for the development of the Philippines with the right policies

Remittances make a significant and increasing contribution to the Philippines' economy, accounting for 10% of the country's gross domestic product (GDP), slightly above the IPPMD partner country average (Figure 1.7). The country has seen improvements in the remittance-sending environment through, for example, the development of new technology and increased competition among service providers leading to a greater diversity of non-bank financial institutions such as cooperatives and microfinance institutions. As a result, remittance transfer costs have fallen, service delivery speed has increased (especially thanks to technology), rural banks have been allowed to operate a foreign currency deposit, and financial services have expanded for remitters and beneficiaries (Chapter 2).

Figure 1.7. **Remittances represent 10% of the Philippines' GDP**

Remittances as a share of GDP, 2015



Source: World Bank, Annual remittances data (inflows), World Bank Migration and Remittances Data *www.worldbank.org/en/topic/migrationremittancesdiasporaissues/brief/migration-remittances-data*.

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Remittances are spent more on human capital than on other productive investments

The large inflows of remittances to the Philippines contribute to domestic consumption, but are also used to finance investments in productive assets such as businesses and real-estate. Receiving remittances may, however, also negatively affect labour supply by increasing the reservation wage of remaining household members.

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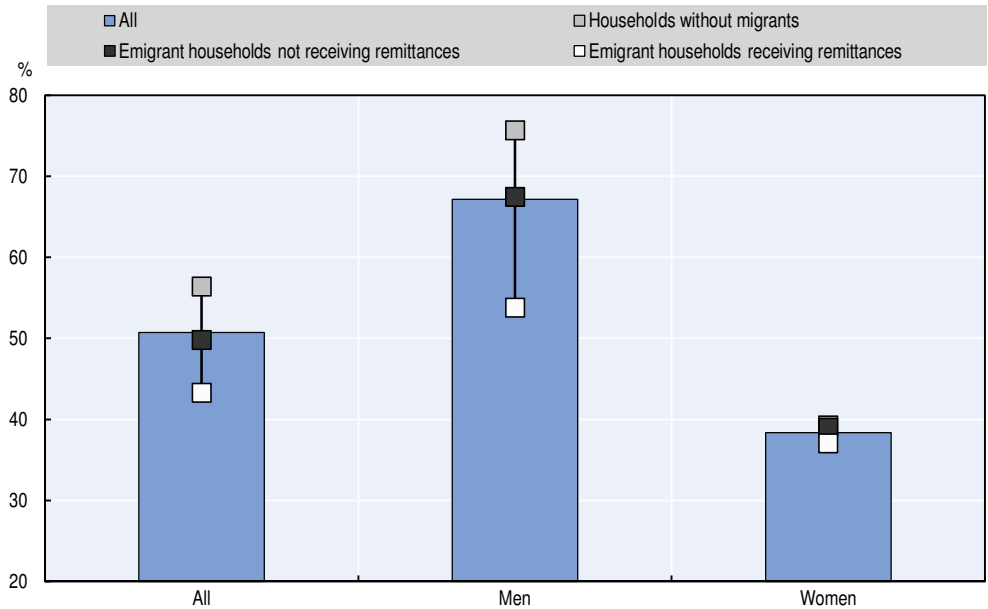
Remittances reduce household labour supply and increase the probability of having higher skilled jobs for women

What is the effect of these large inflows of remittances on the Philippines? Firstly, the IPPMD research suggests that remittances reduce household labour supply by generating some level of dependence among household members by removing the need for household members to seek work. Figure 1.8 shows that remittance-receiving households have the lowest share of working adults. Gender patterns differ, however. Regression analysis confirms that women have a lower propensity to be working when they receive remittances and live in urban areas (Chapter 4). Remittances more easily substitute wages for women than for men in urban settings as women's salaries tend to be lower than men's and there is no longer an incentive to seek paid employment.

Figure 1.8. **Households receiving remittances have fewer working members**

Share of household member aged 15-64 who are working (%)



Note: The sample excludes households with return migrants only.

Source: Authors' own work based on IPPMD data.

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On the other hand, remittances increase the probability of women having more highly skilled jobs. Female members of households that receive remittances are found to have occupations which require more complex skills levels (Chapter 4). Remittances may have provided women with the resources needed to obtain better employment, such as a better education. On the other hand, higher paid jobs may have allowed other members to emigrate.

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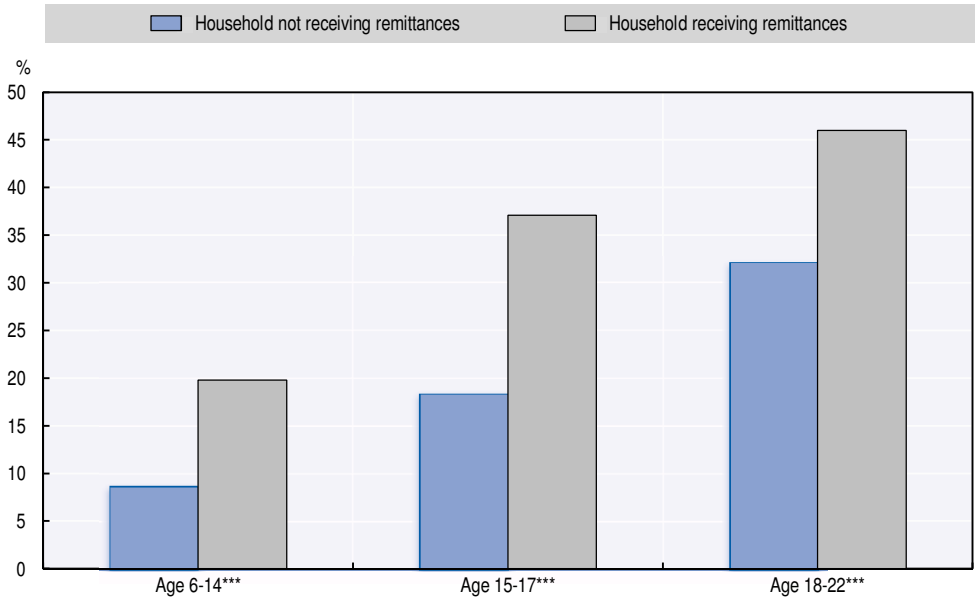
Remittance-receiving households are spending more on education, but not on other productive investments

Remittances offer the financial means to allow households to invest in educating their children. Remittance-receiving households in the Philippines spend a higher share of their budget on average on education-related expenditures than non-migrant households (7.7% versus 5.5%). For example, children and youth living in households that receive remittances are more likely to attend private schools than those in households not receiving remittances (Figure 1.9). This indicates that income obtained from migration and remittances may partly be directed towards private schooling, which is increasing in popularity and perceived to offer a better education.

Figure 1.9. **Remittance-receiving households are more likely to send their children to private schools**

Share of students attending private education (%)



Note: Statistical significance calculated using a chi-square test is indicated as follows: ***.99%, **.95%, *.90%. Remittances include all remittances, from former household members and individuals (family and friends) that have never been part of the household.

Source: Authors' own work based on IPPMD data.

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Remittances can also allow households to invest in areas other than education. The most common activity stated by the households after the departure of a former member is paying for the education of family members. Other significant activities include repaying loans, building or buying a house, and paying for the medical care of a member.

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The use of remittances for productive investments, however, appears to be limited in the Philippines (Chapter 7). Households receiving remittances – regardless of whether they are urban or rural – are not more likely to own a business than non-remittance receiving households. Furthermore, no link between migration and self-employment was found. Comparing agricultural households that are receiving remittances with those not receiving remittances reveals little difference in investments in agricultural productive assets or in specialising or diversifying farming activities (Chapter 5).

How do sectoral policies influence remittances?

Sectoral policies can indirectly influence the behaviour of remittance recipients, and help leverage remittances for development by relieving financial constraints and improving market access and functioning. However, these policies may have a lower impact than migration policies or have unintentional side-effects because they have broader objectives than just remittances.

Households are less likely to receive remittances when financial constraints are relieved

By relieving households' financial constraints, cash-based education programmes can influence the receipt of remittances. These programmes may also affect the use of remittances by, for example, redirecting more remittances into investments in business and real estate when basic education costs are covered. Households in the Philippines benefitting from conditional cash transfers (CCTs) are found to be less likely to have received remittances. This finding is however likely explained by households receiving CCTs being less likely to have an emigrant in the first place.

Access to a bank translates into higher levels of remittances sent through formal channels

The financial sector plays a crucial role in allowing remittances to be invested productively, thereby enhancing their development impact. Policies that make the financial sector accessible to more people can encourage remittances to be sent through the formal financial system, which is more secure for senders and receivers, which could encourage migrants to send more remittances, but often implies a higher cost. Figure 1.10 compares the total amount of remittances received by households with and without bank accounts in the past 12 months. This indicates that households with bank accounts receive on average more remittances. The inflow of remittances into the formal financial sector can also generate multiplier effects in the economy by boosting local demand, which in turn stimulates local production and promotes job creation, and increases the capital available for credit (Chapter 7).

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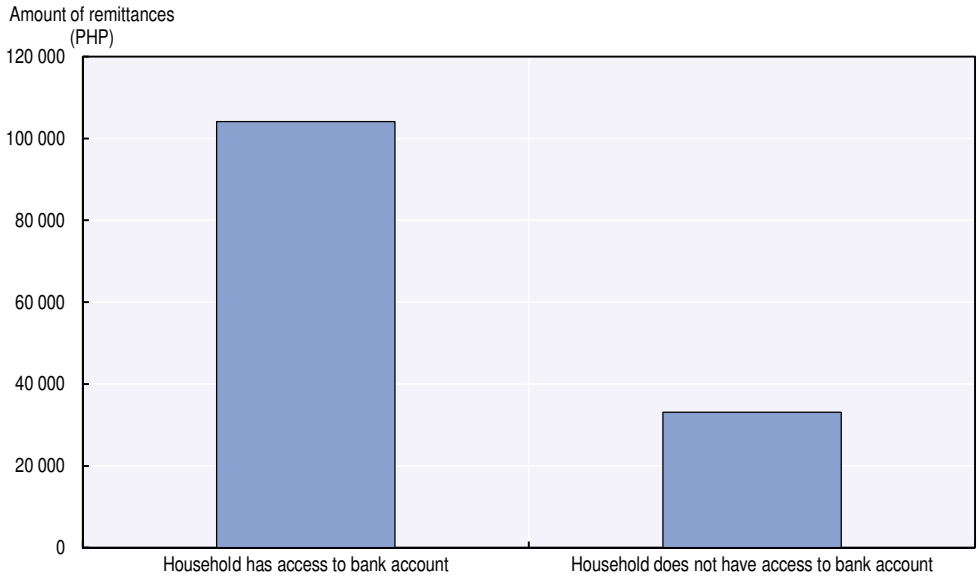
Figure 1.10. **Households with bank accounts receive on average three times more remittances than households without**



Note: Remittance amounts specified in Philippine Pesos (PHP). Households with bank account received on average PHP 104 114 (about USD 2 387) in the past 12 months prior to the survey, compared to households without a bank account who received PHP 33 136 (about USD 760).

Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933458147

Return migration is an underexploited resource

Many labour migrants from the Philippines are temporary, so their return to and reintegration into the Philippines are important aspects in the link between migration and development. The human capital, financial means and social norms brought home by return migrants constitute an important source for development. However, these links are poorly researched. The IPPMD study constitutes one of the first attempts to measure and analyse return migration in the Philippines.

Return migrants invest financial capital in business start-ups and self-employment but do little to human capital development in the Philippines

The analysis found a significant increase in self-employment among return migrants compared to their previous employment status before emigration. Overall, only 13% of the returnees were self-employed before leaving, whereas 27% were after their return. Furthermore, 38% of households with a return migrant run a business, compared to 30% of households without return migrants (Figure 1.11). Return migrants also appear to invest savings in productive assets, as return migrant

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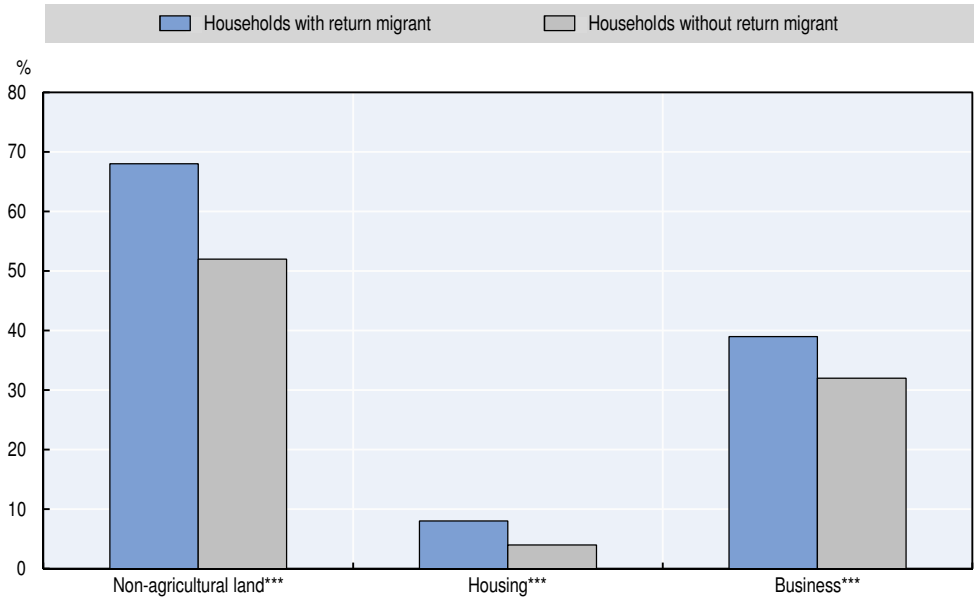
households are more likely to own non-agricultural land. In addition, agricultural households with return migrants are more likely to operate a non-agricultural business than those without return migrants, suggesting that return migrants help agricultural households diversify their economic activities (Chapter 5).

Figure 1.11. **Households with a return migrant are more likely to own a business and real estate**



Note: Business ownership is defined as a household running at least one business. Statistical significance calculated using a chi-squared test is indicated as follows: ***.99%, **.95%, *.90%.
Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933458157

Return migrants can bring new skills and knowledge back home, which can contribute to human capital accumulation in the origin country. However, this effect appears to be limited in the IPPMD study of the Philippines. While Filipino emigrants are relatively well educated, few had acquired more education abroad – and this is especially the case for those who return. Furthermore, if return migrants were overqualified for their jobs in their host countries (as suggested above), they are unlikely to learn new skills. This suggests that the scope is limited for return migration to compensate for the loss of highly educated and skilled people.

Sectoral policies can play a role in attracting migrants home and supporting them to stay

Understanding why migrants decide to return home is essential for understanding its impact on the country. According to the IPPMD household survey (Chapter 3), most migrants returned to the Philippines either because

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of their preference for the home country (38%) or because they lacked legal status in the destination country (34%). Only a minority considered employment and investment opportunities in the Philippines as a motive for return. About 70% of return migrants reported experiencing difficulties finding a job in the Philippines on their return. It may mean that self-employment or business creation are their only options, which suggests a role for labour market policies.

Household vulnerability is a key push factor for migration. If these vulnerabilities are not addressed, migrants are unlikely to want to return home. Not only can policies that reduce risk provide more incentives for emigrants to return, they can also help make their return sustainable (OECD, 2017). Economic and political stability in the home country also makes return migration more attractive. More stable countries may have more resources to spend on public social welfare, for example.

A more coherent policy agenda can unlock the development potential of migration

The report confirms that each of the various dimensions of migration – emigration, remittances and return migration – has something to offer the Philippines' economic and social development, but that this potential is not being fully realised. Understanding the intentional or unintentional role of sectoral policies – especially those governing the labour market, agriculture, education and investment and financial services – in people's decisions to emigrate or return home and in how they send and use remittances will be a step forward in fulfilling this potential.

While the Philippines does have a wide range of migration-specific policies, including migration-related provisions in the two most recent *Philippine Development Plans*, not all departments are actively involved in the discussions and not all sectoral strategies are fully considering development potential of migration. This implies that, to harness the development impact of migration, the country requires a coherent policy framework.

This final section provides policy recommendations for each sector studied in the Philippines. A synthesis of policy recommendations stemming from the ten-country study is available in the IPPMD comparative report (OECD, 2017).

Integrate migration and development into labour market policies

The Philippine labour market is losing highly skilled workers to emigration, especially from the health sector, which faces labour shortages especially in rural areas. Better employment opportunities and higher wages in other countries are attracting a large number of people with the relevant skills. To

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stem these losses, better skills-matching mechanisms are needed, as well as the creation of quality jobs:

- Vocational training programmes can be better targeted to match demand with supply by mapping the shortages in the domestic labour market, especially at the local government level, and strengthening co-ordination mechanisms with the private sector. They can also aim to foster the reintegration of return migrants into the labour market.
- The government could consider expanding the coverage of the Public Employment Service Office's (PESO) portal to include more domestic jobs. Strengthening PESOs' technological capacity will allow it to reach more people in the provinces and local communities, as well as emigrants abroad and return migrants at home.
- Building closer connections between the employment agencies and the private sector will be important.

Leverage migration for development in the agricultural sector

The role of agriculture in the Philippines is shrinking, at least in terms of GDP. Several interviews revealed that the agricultural sector is seen as moribund with little interest or growth potential, which means that there is a role for the government to play in changing such attitudes. Investment and productivity improvements in the sector are paramount. Although emigration is helping to revitalise the sector's labour market because farming households tend to hire in external labour, few households invest their remittances in the sector. Instead, migrants returning to agricultural households appear to be catalysts for diversifying out of agriculture. On the other hand, agricultural subsidies may be effective in reducing households' need to emigrate.

- Adequate labour market institutions, such as job search centres, training programmes and contract enforcement mechanisms should be put in place in rural areas to ensure that agricultural households can easily replace labour lost to emigration, and to facilitate and accelerate the task of hiring labour in times of peak demand. Farming households in areas of high emigration should also be targeted with agricultural technical support (e.g. for the use of new resistant crops, fertiliser, irrigation techniques) to help deal with the loss of labour, as well as a possible channel for investing remittances.
- More should be done to channel remittances and return migration towards investment in the agricultural sector, such as improving basic infrastructure, training households on new techniques and investment skills and creating incentive programmes. Policy makers should help households and return migrants use their remittances to diversify their activities – both within and outside the sector – through incentives and training.
- Agricultural aid programmes, such as subsidies, should be provided ex-post, conditional on output and investment in the country. This will help to ensure that they continue to deter emigration as well as encourage more investment in the sector.

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Enhance migration-led development by facilitating investment in education

Education is a key area for investing the remittances and savings earned overseas by migrants. The remittance-led increase in demand for education in general and private education in particular may put pressure on the education system and calls for measures to ensure universal access to quality education. Furthermore, the findings indicate that cash-based education programmes, specifically conditional cash transfer programmes and scholarships, may reduce the incidence of emigration.

- The increased demand for educational services from remittance inflows should be met with investments in educational infrastructure, especially in teachers and building classrooms, to ensure universal access to education.
- The use of remittances to finance private education calls for measures to monitor and verify the quality of private education institutions, including strengthening the accreditation process.
- Collecting migration and remittance information in the design and evaluation of cash-based education programmes would allow policy makers to better understand the effects of such programmes on emigration patterns.

Strengthen the links between migration, investment, financial services and development

The IPPMD findings show that return migration seems to spur business investments while remittances do not. The findings also show that financial inclusion can encourage more remittances to be sent through formal channels. Despite various initiatives promoting financial literacy, the IPPMD study shows that few households participated in these programmes in the past five years. This is a missed opportunity to enhance productive investments stemming from migration and remittances. Policies to promote entrepreneurship – providing support for the various phases of developing, starting and managing a business – should help migrants and their families to overcome investment barriers and stimulate more productive remittance investments.

- A national programme to enhance the financial literacy of Filipinos in general and migrants and their families in particular could also encourage more remittances to be invested productively. Including financial education in the high school curriculum would reach an even broader population. The expansion of financial literacy programmes could be coupled with the development of financial instruments tailored to the needs and the resources of remittance-receivers and return migrants.
- To stimulate more formally sent remittances, policy makers should aim to reduce the number of Filipinos who are unbanked by expanding the presence of financial institutions and delivering financial services beyond more developed and urbanised areas.

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Note

1. The different estimates produced by UN DESA and CFO also stem from their different methodologies and data sources (further details in Chapter 2).

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Chapter 2

The Philippines' migration landscape

The Philippines has a long history of emigration. Indeed since the 1970s the government has actively facilitated overseas working to deal with high unemployment on the one hand, and extended support to overseas Filipino workers on the other hand. Today emigration is part of Filipino culture. This chapter gives a brief overview of migration in the Philippines: its drivers and impact, who the migrants are and where they have gone, and what programmes and support migrants receive in the different phases of the migration process. It also examines what data are available and where the gaps lie. Finally, it lays out the policy and institutional framework covering emigration, immigration and return migration.

The insertion of overseas employment in the 1974 Labor Code provided the legal basis for launching an overseas employment programme as a temporary intervention to deal with rising unemployment and eroding foreign reserves (IOM and SMC, 2013). Few people could have anticipated that overseas employment would become an enduring feature of Philippine society. From some 36 000 workers deployed in 1975, the spectacular growth – more than 1.8 million workers deployed in 2013-14 (POEA, n.d.) – in the migration of overseas Filipino workers (OFWs) and the accompanying rise in remittances prompted a consideration of international labour migration as a sector deserving specific policy attention. For the most part, policies concerning overseas employment were aimed at facilitating overseas employment, creating a remittance-friendly environment, and promoting the protection of OFWs. The linking of international migration with development policies is fairly recent. Even as the volume of migration increased, the Philippines has consistently maintained that overseas employment is a temporary strategy. In fact, Sec. 2 (c) of the Migrant Workers and Overseas Filipinos Act of 1995 (Republic Act or RA 8042) states that the "State does not promote overseas employment as a means to sustain economic growth and achieve national development." [1]

Other sectors, such as civil society, considered this statement to be out of step with what they see as the government's facilitation, if not outright promotion, of labour migration. Under the administration of Gloria Macapagal Arroyo (2001-10), the *Medium-Term Philippine Development Plan (2004-10)* specifically mentioned for the first time a target of sending overseas a million workers every year (NEDA, 2004). This move affirmed a view of the Philippines as a labour "broker state" (Rodriguez, 2010) and stoked concerns that migrants' welfare may not receive the attention it deserves. The administration of Benigno Simeon Aquino III (2010-16) re-established the priority of migrants' welfare. Item 10 in his 16-point agenda – his social contract with the Filipino people – states that his administration will strive to "create jobs at home so that working abroad will be a choice rather than a necessity" and to extend welfare and protection for those who choose to work overseas (Aquino III, n.d.).[2]

The Philippines' long experience with international migration means it has created institutions, policies and practices to govern various aspects and phases of the phenomenon, and a culture of migration has been firmly established in society (IOM and SMC, 2013; Asis, 2006). Although there are concerns and anxieties attached to migrating overseas, on the whole migration is valued, particularly as a vehicle to promote family well-being.

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This chapter describes the migration landscape in the Philippines, setting the scene for the chapters and analysis which follow. It outlines current trends in migration, and reviews what the existing research tells us about the key issues linked to migration in the country. It also reviews the role of migration in national development policies, the status of migration-related policies and the institutional framework for managing migration.

A brief overview of migration and remittance trends in the Philippines

International migration since the 1970s has unfolded under six presidents (Ferdinand Marcos, Corazon Aquino, Fidel Ramos, Joseph Ejercito Estrada, Gloria Macapagal Arroyo and Benigno Simeon Aquino III), during which time the Philippine economy went from promising to problematic and back to promising. For most of the last 40 years, the economy has followed a boom-and-bust cycle against a backdrop of political changes – martial law from 1972 to 1981; protest and dissent between 1983 and 1986 following the assassination of opposition leader, Benigno Aquino, Jr.; the restoration of democracy in 1986; and *coups d'état* and political crises throughout the 2000s. Globally, these events reflected broader changes, such as the oil crisis in the 1970s, structural adjustments in the 1980s, the economic crisis in Asia in 1997, the food crisis and global recession in 2008, and a range of conflicts and disasters. The economic picture brightened in the 2000s. According to the World Bank (2014), the economy has shown sustained growth for the period 2004-13, with an average GDP per capita of 3.4%, a marked improvement over the average growth rate of 1.4% for the period 1950-2003. From the "sick man of Asia", the Philippines has recently transformed into an emerging economy. This positive turn has been attributed to strong macroeconomic fundamentals resulting from reforms in the financial and public sectors.

Nationwide polls conducted by Pulse Asia between 2006 and 2010 indicate some 20% of Filipinos (peaking at 29% in 2006) had intentions to migrate. This fell to 9% in the July 2010 round, which coincided with the beginning of the new government (Dizon, 2010).

Emigration continues to increase

The 1970s were an important decade in contemporary international migration from the Philippines. It was a period associated with immigration reforms in traditional countries of settlement and the demand for workers in the oil-rich countries in the Gulf Region. The former opened up opportunities for permanent settlement, while the latter initiated the Philippines into international labour migration. Since then, international migration from the Philippines has increased and has become part of the country's culture. Data from the United Nations indicate that there were an estimated 5.3 million

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Filipino migrants in 2015, around 5.3% of the Philippines' total population (Table 2.1). The United States is the most common destination country, receiving 36% of Filipino emigrants in 2015. Other destination countries (in order of their share of Filipino emigrants in 2015) include the United Arab Emirates, Canada, Saudi Arabia, Australia, Japan and Kuwait.

Table 2.1. **Key emigration statistics for the Philippines, 2010 and 2015**

	2010	2015
Total population (in millions)	93	100
Stock of emigrants	4 656 379	5 316 320
% of emigrants to total population	5.0%	5.3%
Destination countries (%)		
United States of America	38%	36%
United Arab Emirates	10%	11%
Canada	11%	10%
Saudi Arabia	9%	9%
Australia	4%	4%
Japan	5%	4%
Kuwait	2%	3%

Source: UN DESA (2015), *Trends in International Migrant Stock: The 2015 Revision*, database, *www.un.org/en/development/desa/population/migration/data/estimates2/docs/MigrationStockDocumentation_2015.pdf*.

The estimates of the number of emigrants provided by the CFO are twice as large as UN estimates. Within the Philippines, the estimation of the stock population of overseas Filipinos is an inter-agency effort co-ordinated by the Commission on Filipinos Overseas (CFO). Data on the stock population of overseas Filipinos have been available since 2000, and stood at 10 238 614 in December 2013, roughly 10% of the total population (Table 2.2). Between 2000 and 2013, this 10% share has been maintained. Overseas Filipinos, as outlined in Table 2.2, consist of permanent migrants, temporary migrants (largely temporary migrant workers or OFWs), and migrants in an irregular situation (described below). Although the stock estimate is widely used, it is not without problems.[3]

Permanent migration is at its highest rate ever

Starting in the 1970s – when reforms in traditional settlement countries removed immigration barriers to non-Europeans – large numbers of Filipinos migrated to resettle in the US, Australia, Canada and New Zealand. Filipinos have since become a major immigrant group in these settlement countries. Permanent migration is largely driven by family reunification. Data on permanent migrants have been recorded from 1981, soon after the creation of the CFO in 1980. The most recently available data are for 2015, which registered the highest outflow ever – at 92 998. Data on registered emigrants from 1981 to 2015 reveal the following: the US is the primary destination for permanent migrants; emigrants are mostly female; those in the ages 20-39 comprise the largest share (41%),

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those below 15 years account for a sizable 21%; the majority of permanent migrants are single; about a third (30%) have completed tertiary education and up; and most were not employed prior to emigration.[4]

Table 2.2. **Stock estimate of overseas Filipinos, 2000-13**

Year	Permanent	Temporary	Irregular	Total
2000	2 551 549	2 991 125	1 840 448	7 383 122
2001	2 736 528	3 049 622	1 625 936	7 412 086
2002	2 807 356	3 167 978	1 607 170	7 582 504
2003	2 865 412	3 385 001	1 512 765	7 763 178
2004	3 204 326	2 899 620	1 039 191	7 143 137
2005	3 407 967	2 943 151	626 389	6 977 507
2006	3 568 388	3 093 921	621 713	7 284 022
2007	3 693 015	3 413 079	648 169	7 754 263
2008	3 907 842	3 626 259	653 609	8, 187 710
2009	4 056 940	3 864 068	658 370	8 579 378
2010	4 423 680	4 324 388	704 916	9 452 984
2011	4 867 645	4 513 171	1 074 972	10 455 788
2012	4 925 797	4 221 041	1 342 790	10 469 628
2013	4 869 766	4 207 018	1 161 830	10 238 614

Source: Commission on Filipinos Overseas, *www.cfo.gov.ph/downloads/statistics/stock-estimates.html*.

Permanent migrants include international marriage migrants, a category which is dominated by women. CFO has been keeping track of participants in marriage migration since 1989. Between 1989 and 2014, just under 500 000 Filipinos – overwhelmingly women – migrated overseas to join their foreign spouses, mainly in the US (43.3%), Japan (24.2%) and Australia (7.9%). This type of migration has received policy and advocacy attention because of concerns over the welfare of women – in the 1980s, it was associated with the mail-order bride phenomenon; in the 1990s, its possible links with trafficking prompted interventions to protect women marriage migrants. An interesting development is the rise of Asian countries – notably, Japan, Chinese Taipei and Korea – as major destinations for marriage migration from the 1990s (earlier in Japan). While these countries are otherwise cautious of migration (and the permanent settlement of foreigners), marriage migration provides a pathway for permanent residence and citizenship in these destination countries.

Temporary migration estimates vary

Data on the stock of temporary migrants are available from two sources: CFO and the Philippine Statistical Authority-National Statistics Office (PSA-NSO).[5] The CFO's estimate of temporary migrants is based on data on OFWs legally deployed by the Philippine Overseas Employment Administration (POEA) and other sources, while the PSA-NSO's data come from the Survey of Overseas

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Filipinos (SOF). A rider to the Labour Force Survey, the SOF goes back to 1982 although its design and name have changed over the years (Asis, 2008a). The SOF refers to OFWs as Filipinos working overseas in the six months prior to the survey as reported by the sampled households. In general, the CFO estimate of temporary migrants is larger than that based on the SOF (Asis, 2008a). Note that temporary migrants in the CFO estimate are not only legally deployed OFWs, although they account for the largest share in this category of migrants. In 2013, CFO reported 4.207 million temporary migrants, while the 2013 round of the SOF counted 2.295 million (PSA, 2013). In 2014 and 2015, the SOF counted 2.228 million and 2.377 million overseas contract workers, respectively (PSA, 2014a and 2015).

Irregular migration and trafficking are difficult to measure

CFO's stock estimate is a source of information on overseas Filipinos in an irregular situation, a type of migration which is difficult to measure. Data are based on reports provided by Philippine Foreign Service posts, but the methodology used is not known, hence these figures are at best indicative or ballpark figures. Trends in irregular migration since 2000 can be divided into three periods: 2000-04, when irregular migration accounted more than 10% of the total overseas Filipinos (for 2000-03, it was as high as 20-25% of the total); 2005-10, when it declined to less than 10%; and 2011-13, when patterns of irregular migration fluctuated. The decline since 2005 reflects the impact of the amnesty, crackdown and repatriation exercises implemented by destination countries such as Malaysia and Korea. Malaysia (particularly Sabah or East Malaysia) has consistently ranked as the destination of the largest population of Filipino migrants in an irregular situation. As of 2013, there were 448 450 Filipino migrants in an irregular situation in Malaysia (CFO, 2016).

Data on trafficking in persons are also difficult to capture. One source of data on trafficked persons is the National Recovery and Reintegration Database established by the Department of Social Welfare and Development. For the period 2000-13, 1 665 cases were recorded in the database (IOM and SMC, 2013). Based on the US State Department's assessment of anti-trafficking efforts by governments since 2001, for the most part (including 2013, 2014 and 2015), the Philippines has been ranked as Tier-2, and it slid into Tier-2 *watch list* for the years 2004, 2005, 2009 and 2010 (IOM and SMC, 2013).[6] In 2016, the Philippines was upgraded to Tier 1, which means that it has acknowledged the existence of human trafficking, has made efforts to address it, and meets the US Trafficking Victims Protection Act's minimum standards. The increase in the number of convictions of traffickers and number of victims rescued, more resources allocated to the Inter-Agency Council Against Trafficking, and judicial reforms, among others, improved the Philippines' ranking in 2016 (US Department of State, 2016).

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Student migration is modest

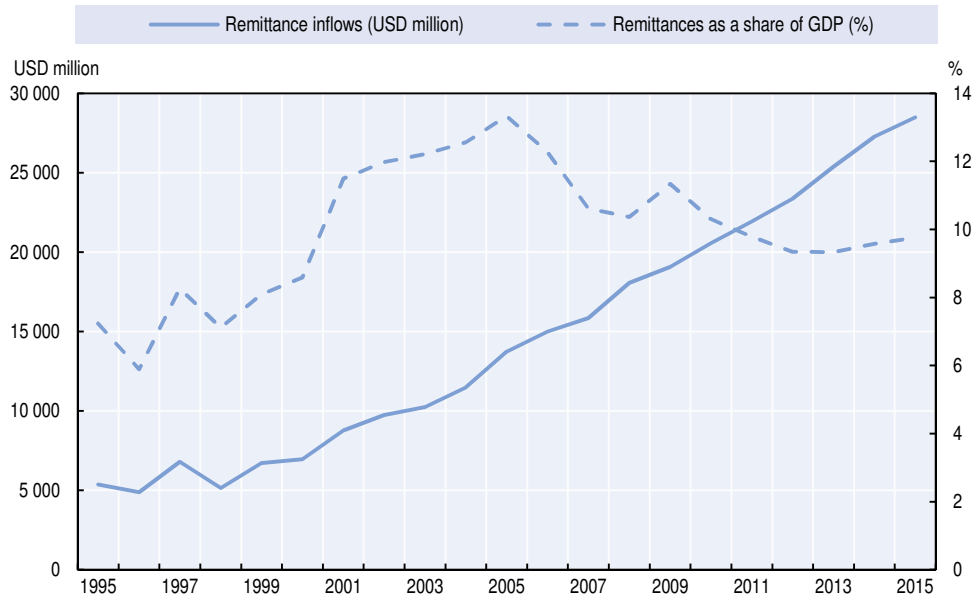
Student migration from the Philippines remains modest compared to other Asian countries such as India, China, Japan and Korea. In 2014, UNESCO estimated that some 11 454 tertiary-level Filipinos were studying overseas.[7] Data on student migration from the Philippines are not collected, and thus far there are no policies on this type of migration. Although the current numbers may be small compared to permanent migration and temporary labour migration, they may increase in the future, which will have implications for brain drain and brain gain.

Remittances make a significant contribution to the economy

Increasing migration has been accompanied by increasing remittance inflows. Remittances to the Philippines breached the USD 1 billion mark in 1989 (IOM and SMC, 2013). As Figure 2.1 indicates, the economic crisis in Asia in 1997 and the global recession in 2008 did not result in a decline in the volume of remittances. The diverse geographical distribution and occupational profile of OFWs also serve as a shield from economic highs and lows.

Figure 2.1. **Remittances continue to grow, 1995-2015**

Total remittances (USD million) and remittances as a share of GDP (%)



Source: World Bank (2016), *World Development Indicators* (database), *http://data.worldbank.org/data-catalog/world-development-indicators.*

StatLink *http://dx.doi.org/10.1787/888933458162*

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The remittance story is not complete without referring to the proactive and persistent efforts of the *Bangko Sentral ng Pilipinas* (Central Bank of the Philippines) to improve the remittance environment, as a result of which remittance charges have fallen, service delivery has speeded up (especially through the use of technology), rural banks have been allowed to operate a foreign currency deposit unit, and financial services have been expanded for remitters and beneficiaries (see Annex D, IOM and SMC, 2013).

Contrary to popular perceptions, remittances have been put to good use – for the renovation or construction of houses, the schooling of children and other family members, purchase of consumer durables, savings, and starting a business. Investments, particularly the kind which generate employment, have remained very modest, however. Financial education programmes, information services[8] and capacity building of local governments are some of the initiatives aimed at harnessing the use of remittances for investments.

What are the key issues and knowledge gaps?

As noted previously, the Philippines has only recently started making the links between migration and development policy (see also Asis and Roma, 2010; Asis, 2008b). An earlier country report prepared for this project surveyed the literature on the impact of migration on the following sectors: agriculture, labour market, trade, investment, financial services, education and skills, health,[9] social protection and environment (Asis, Tigno and Ducanes, 2014). The four sectors selected as the foci of the research in the Philippines are: labour market, agriculture, education and investment and financial services. This section reviews the key migration and development issues emerging from the literature on these four sectors.

Overseas employment is a strategy for rural households to diversify income

According to the 2010 census, more than half (54.7%) of the Philippine population live in rural areas (PSA, 2013). Agriculture has lagged behind industry and services in terms of contribution to the GDP. Not surprisingly, the country's poor are largely in the rural areas (Briones, 2016). Rural households may try to move out of poverty through agricultural entrepreneurship, entering the rural labour market or the non-farm economy, or they may opt to migrate to towns, cities or other countries (FAO and IFAD, 2008). Agriculture is highly sensitive and vulnerable to environmental changes. The effects of weather events on crop yields as well as farm price volatilities add to uncertainties which may drive rural households to either spread the risks or consider other options to supplement or replace income from farming (Geron and Casuga, 2012). The option to move (especially internationally), however, is constrained and determined by a variety of factors that are often resource-related, such as land ownership, human capital, financial resources, and availability of information.

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The migration of family members can supplement income from farming. Migrant remittances have been shown to compensate for the low incomes of households from rice farming in the Philippines (Paris et al., 2009; see also Gregorio and Opiniano, 2011). Among the three countries that were studied – the Philippines, Thailand and Viet Nam – Paris et al. (2009) found that the Philippines had the highest share of rural households receiving remittances. Households with OFWs were found to have hired in more external labour than family labour, suggesting the transition of family members to non-farming functions. OFW households may also use remittances to shift to non-agricultural options. Findings from other studies in various countries suggest that migration can hasten the movement out of agriculture or make agriculture secondary to off-farm activities (FAO and IFAD, 2008).

A study by Gregorio and Opiniano (2011) confirmed that migration has not been factored into rural development policies and programmes. It also indicated that civil society organisations in the agriculture sector do not have much engagement with overseas Filipinos and migration issues. The results of their household survey indicated improvements in farming assets and properties made possible by remittances and provide jobs to other rural residents. However, some of these farming families may leave farming in the future. Also, the benefits of remittances may increase the disparities between households with OFWs and those without.

Constraints identified in the agricultural sector include infrastructure, i.e. paved roads, electricity and piped water (Malaluan and Dacio, 2001); access to credit (Geron and Casuga, 2012); and diversification (Briones and Galang, 2013). Chapter 5 in this report presents the IPPMD analysis of migration and agriculture.

Job-skills mismatch, unemployment and emigration are interconnected

The lack of employment opportunities in the Philippines is commonly mentioned by migrants and aspiring migrants as the reason for deciding to work abroad. Data on the employment situation and labour migration trends suggest close links between migration and the labour market.

Between 2013 and 2016, labour force participation rates stood at around 64%, falling to 63.3% in the latest round (July 2016). During this period, unemployment fell from 7.2% in 2013 (PSA, 2014b) to 5.4% in July 2016 (PSA, 2016). The underemployment rate is higher, hovering around 19% in the earlier years (PSA, 2014b) and declining to 17.3% in July 2016. As of July 2016, youth unemployment (15-24 years old) continues to be huge, comprising 48.2% of the total unemployed (PSA, 2016).

Unable to find employment at home, the Filipino youth are turning to international labour migration as an alternative. Young people (the 15-24 age group) are mostly interested in migrating for work, but also for studies and to experience other cultures (Asis and Battistella, 2013). The Pinoy Youth Barometer

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survey found four out of ten young Filipino students planning to work abroad after graduation. Their top three motivations are: to send remittances to their families (75%); to experience other cultures (72%); and the lack of opportunities in the country (67%). Even young children (8-10 years old) nurture intentions to migrate someday (ECMI/AOS-Manila, SMC and OWWA, 2004).

However, young emigrants are likely to land jobs in the low-skilled sectors, largely in production or services, which are the jobs in high demand overseas. Thus, when young Filipinos migrate because of a lack of opportunities in the domestic labour market, their employment options overseas are not any better (Asis and Battistella, 2013). Given the demand for workers in low-skilled occupations, university educated Filipinos are likely to experience brain waste or de-skilling in their overseas employment (Battistella and Liao, 2013). The concentration of young migrants in low-skilled occupations also calls for vigilance in ensuring their protection in the workplace. Getting started in low-skilled employment also has implications for their long-term employment prospects and broader development issues.

Continuing outmigration has also raised concerns about brain drain – an issue which has been discussed since the 1970s, especially in the context of the emigration of doctors, nurses and other health professionals. An early study concluded that the emigration of health professionals did not lead to brain drain; instead, their migration reflected the domestic labour market's inability to absorb these professionals (Pernia, 1976). More recently, Tan (2009) qualified that brain drain occurs when the education and training system is unable to replace the departing workers. She noted the expansion of tertiary educational institutions, post-secondary technical and vocational schools, and training centres, which produce large numbers of graduates, but only a few high-quality institutions produce well-prepared and high-quality workers.

The oversupply of workers with general skills is part of the unemployment scenario in the Philippines, especially among the youth.[10] Enrolment patterns in tertiary education hint at the mismatch between education and the labour market. Many students (60%) are concentrated in just three disciplines: business administration, education and engineering and technology, and medical and allied programmes (with nursing accounting for the largest share). Private higher education institutions are quick to respond to perceived opportunities in the labour market here and abroad (especially the latter). Programmes preparing students for in-demand jobs proliferate. Without regard to the quality of training, these institutions produce large numbers of graduates who cannot be absorbed by the labour market at home or overseas. The job-skills mismatch is illustrated by the oversupply of nurses and seafarers in the country. Meanwhile, the public health sector needs more health professionals but cannot afford to hire more nurses because of funding constraints (Asis and Roma, 2010).

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The Commission on Higher Education (CHED) has intervened to remedy the distortions in the education system. In 2010, CHED imposed a moratorium effective academic year 2011-12 on the opening of new programmes in the following oversubscribed courses: business administration, nursing, teacher education, hotel and restaurant management, and information technology (CHED Memorandum Order No. 32, Series of 2010). Earlier, in 2004, it issued a moratorium covering all applications for first year level offering of all maritime programmes filed after 23 February 2004 at CHED Regional Offices. This was later amended by CHED Memorandum Order No. 47, Series of 2009 which limits the moratorium to BS Marine Transportation and BS Marine Engineering programmes (other baccalaureate and graduate programmes are not included). To address weaknesses in higher education, CHED issued a policy-standard to enhance the quality assurance system of higher education institutions in the Philippines through an outcomes-based and typology-based quality assurance (CHED Memorandum Order No. 46, Series of 2012).

The Enhanced Basic Education Law of 2013 (RA 10533) is a key educational reform under the Aquino administration. Known as the K-12 programme, it defines basic education as covering kindergarten, six years of elementary, and six years of high school (four years of junior high school, Grades 7-10, and two years of senior high school, Grades 11-12). The additional two years in high school will make Philippine basic education comparable with other countries. Its adoption is, to some extent, influenced by migration considerations. The two-year deficit in Philippine basic education has posed difficulties for Filipino workers in having their training recognised in foreign labour markets.

The Technical Education Skills and Development Authority (TESDA) has been very much involved in international migration through providing training and skills certification of migrant workers. The agency is expanding and strengthening technical vocational education and training (TVET) programmes and is incorporating entrepreneurship in its programmes. To promote better job-skills matching, the Asian Development Bank recommends: i) improving the relevance and quality of TVET programmes; ii) strengthening certification frameworks; and iii) providing employment services, such as career guidance and coaching for school-leavers. More broadly, more broad-based employment generation across different sectors is needed; in the past six years, about 80% of new jobs in the Philippines were in the service sector (CNN Philippines, 2016).

Chapters 4 and 6 in this report present the IPPMD analysis of migration, education and labour market.

Migrants are remitting but not investing

On a macro level, the high level of remittances sent home by OFWs has propped up national savings, which according to the World Bank have already exceeded 30% of GDP. The Philippines has also had a current account surplus

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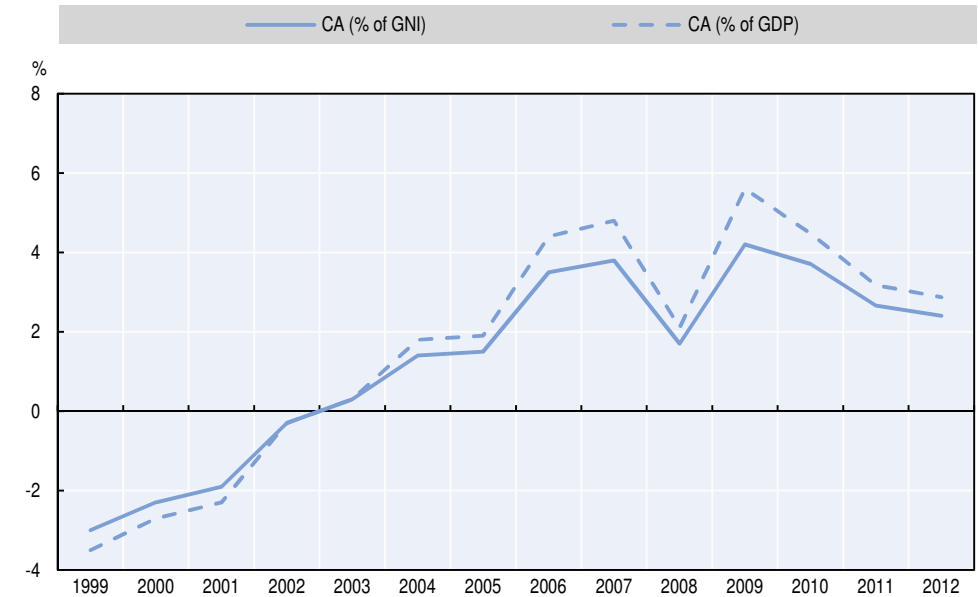
since 2004 (Figure 2.2). However, the investment rate has not kept pace and has even been declining, indicating that remittances are not being funnelled into investments (Desierto and Ducanes, 2013).

Figure 2.2. **The Philippines' current account balance is healthy**



Note: CA: current account; GNI: gross national income; GDP: gross domestic product.
Source: Bangko Sentral ng Pilipinas (BSP).

StatLink http://dx.doi.org/10.1787/888933458176

Investments can increase job creation and diminish the pressure to work abroad. Opportunities for investment can also encourage return migrants to channel remittances and savings toward development initiatives. This will not only facilitate migrants' reintegration, but can also contribute to jobs generation. Thus far, however, various rounds of the Consumer Expectations Surveys conducted by the *Bangko Sentral ng Pilipinas* reveal low levels of investments by remittance-receiving households.

The low propensity of migrants and their families to invest must be considered in the broader context. The Philippines has a poor investment record overall. In the past 30 years, the investment-to-GDP ratio has averaged only 21% (and investment-to-GNP ratio has averaged only 19%). This is lower than other ASEAN (Association of Southeast Asian Nations) countries due to historically poor governance (de Dios, 2009; Desierto and Ducanes, 2013), uncompetitive exchange rates, low savings rates, and poor infrastructure, among others.

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Several initiatives had been implemented to promote investment in the Philippines. Following the Omnibus Investment Code of 1987, the Foreign Investment Act (RA 7042) was adopted in 1991, and RA 8179 of 1996 further liberalised the conditions for foreign investments. A new bill (SBN 35), introduced by Senator Cynthia Villar in 2014, aims to provide incentives to investors, such as direct and indirect tax incentives. Strengthening of institutions, anti-corruption efforts and the use of technology have enhanced the country's rankings in recent years (e.g. in the *Global Competitiveness Report 2014-2015* [Schwab, 2014] and the *Doing Business Report 2015* [World Bank, 2014]), However, as noted in the *Global Competitiveness Report 2014-2015*, infrastructure and labour market inefficiencies and rigidities remain weak (Schwab, 2014). Out of ten indicators set by the World Bank, the Philippines got negative marks for five: protecting investors, dealing with construction permits, getting credit, trading across borders and enforcing contracts. On the other hand, it did receive positive marks for starting a business, getting electricity, registering property, paying taxes and resolving insolvency (Torres, 2014).

Poor investment means a dearth of quality employment opportunities in the country, increasing the incentives to emigrate. Agriculture still accounts for more than one-third of total employment, while industry – where higher productivity jobs are more likely to be found – accounts for only about 16%. About half of total employment is in services, but jobs in this sector vary very widely in terms of quality. It is worth noting that the regions with the largest share of overseas workers are in CALABARZON and NCR, which also happen to be the centres of manufacturing in the country.

The low level of capital in the country potentially means high marginal returns to new investments because of untapped opportunities – this could be an incentive for those with savings, such as OFWs, to invest. There are mixed findings on the effect of remittances on investment (including spending on human capital and durable equipment), with some claiming that remittances raise the share of education and health care in total spending (Bird, 2009; Pernia, 2008; Tabuga, 2007).[11] Increased remittances can raise spending on durable goods and children's education and on investment in capital-intensive entrepreneurial activities (Yang, 2005). However, the results of these studies have been critiqued for possible methodological flaws (Ducanes, 2013).

The linkages between migration and investment are mentioned in several sections of the *Philippine Development Plan 2011-2016 Mid-Term Update* (NEDA, 2014). This recognises that migrants' savings and investment can be boosted by proper training, hence financial education is important. Appropriate financial instruments can also encourage migrants and their families to invest a portion of their savings.

Chapter 7 in this report presents the IPPMD analysis of migration, investment and financial services.

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What role does migration play in national development strategies?

After more than 40 years of policies supporting sustained labour migration, migration governance is now expanding to examine how migration can be more linked to development. Among the migration-related agencies, the CFO has actively worked on "responding to the challenges of migration and development" since 2010. *The Philippine Development Plan 2011-2016* (NEDA, 2011) is noteworthy for including 60 migration-related provisions spread across seven of its nine chapters. Among others, the plan recognises the failure to achieve inclusive growth as a factor in the outflow of skills and talents, the importance of promoting the protection of OFWs, the contributions of remittances to the economy, leveraging remittances for economic development, and brain gain, among others.

The *Philippine Development Plan 2011-2016 Mid-Term Update*, which reviewed progress towards the above development plan, noted that "[t]he country has achieved remarkable progress in sustaining its growth momentum, even exceeding Plan growth targets" (NEDA, 2014). But achieving inclusive growth remains elusive. Close to two-thirds of GDP were accounted for by just three regions (all in Luzon: the National Capital Region, CALABARZON, and Central Luzon). While the government has achieved a 7-8% GDP growth rate and an investment-to-GDP ratio of 22%, targets to reduce unemployment to 6.8-7.2% and poverty incidence to 16.6% have fallen short. As of 2012-13, unemployment was at 7.0-7.1%, while poverty incidence stood at 25.2% (NEDA, 2014). Thus, the second half of the plan aims to achieve sustainable and inclusive growth that will generate productive and decent jobs and reduce the multiple dimensions of poverty. This includes generating jobs for 14.6 million Filipinos by 2016,[12] reducing unemployment to 6.5-6.7%, underemployment to about 17%, the incidence of income poverty to 18 to 20%, and the incidence of multidimensional poverty to 16-18% (NEDA, 2014). The targets also include improving access to health, education, water, sanitation, and secure shelter, among others. The productive sectors are critical for shaping the economic growth outlined in the second half of the plan. Industry and services are seen as the main drivers of growth and sources of employment in the years 2014-16. The goal is to increase investments in these sectors by 36% between 2012 and 2016. Noting that about one-third of the country's labour force is in agriculture, the next three years (2014-16) aim to increase productivity, enhance forward linkage with industry and services, and improve resilience to risks in this sector.

Migration is discussed in the Mid-Term Update in relation to realising the investment potential of migrants, social protection, enhancing border security, and the need to amend the Philippine Immigration Law. The plan sees migration as contributing to development: remittances are acknowledged as boosting gross national product (GNP), improving the country's current account balance,

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and fuelling consumption. Overseas Filipinos are viewed as possible investors. The need to develop financial instruments and services and the creation of an investor-friendly environment are proposed to promote the investment by overseas Filipinos. The plan also notes that the migration of Filipino workers is indicative of the lack of employment opportunities at home. Attention to welfare and protection issues is also highlighted. For example, in cultivating relations with foreign nations, "[p]aramount consideration shall be paid to ensuring the welfare and protection of the millions of Filipinos working overseas" (NEDA, 2014). The plan also intends to address migration by women, particularly those in domestic work; illegal recruitment and trafficking, especially trafficking of children; social protection of OFWs; the separation of migrants and their families; protecting the family from the social costs of migration; and brain drain. In other words, the plan considers both the gains and the costs of migration. This appreciation of the benefits and costs of migration were also mentioned by selected stakeholders in earlier research (see Asis and Roma, 2010).

Policies governing labour migration are well-established

As a country of origin, the development of institutions, legal frameworks and policies concerning international migration in the Philippines has largely focused on emigration, particularly international labour migration. The Philippines has built a reputation in migration governance for having a twin approach of facilitating labour migration and extending protection to migrant workers before migration, while they are abroad and upon their return to the Philippines. Most interventions are therefore aimed at promoting the protection and welfare of migrants.

Filipinos who migrate permanently to other countries, fiancés and spouses of foreign citizens, participants of exchange visitor programmes, and au pairs must register with the Commission on Filipinos Overseas (CFO). These groups of migrants are required to undergo pre-departure orientation and counselling (which is group-specific); compliance with this requirement is checked by the immigration officer at point of departure. Filipinos migrating to work overseas undergo more procedures and deal with several government agencies because of the elaborate regulation that has developed around international labour migration. The Migrant Workers and Overseas Filipinos Act of 1995 (RA 8042) provides for the protection of migrant workers at all stages of the migration process. It was amended in 2007 (RA 9422), which repealed the deregulation provisions (sec. 29 and 30) and in 2010 (RA 10022), which strengthened the protection measures. The law is further elaborated in the POEA Rules and Regulations for land-based migrants (2002) and seafarers (2003); both were revised in 2016.

Licensed recruitment agencies mediate between foreign employers wanting to hire Filipino workers and Filipino workers aspiring to work overseas. The employment agency must be owned by a Filipino national and must be licensed

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by the POEA. The license can be revoked if requirements are not met or if the agency is found guilty of illegal practices in the recruitment of migrant workers. The lucrative business of recruiting migrants has triggered the proliferation of employment agencies – there are more than 800 for land-based workers and close to 400 for seafarers.

The goal of protecting OFWs is promoted through the provision of information,[13] campaigns against illegal recruitment, imposing a ceiling on the placement fee collected by private employment agencies from migrant workers,[14] the joint and solidarity liability between the employer and the employment agency and the provision of mandatory insurance to be paid by the employment agency. Two protective measures are particularly controversial. The first pertains to the policy that "the government shall deploy and/or allow the deployment only of skilled Filipino workers" (RA 10022 sec. 1g). In fact, most Filipino migrants are unskilled workers, employed in the production sector or in domestic work. Concerns over the protection and welfare of women migrants in domestic work have led to efforts such as the 2006 Household Service Workers Reform Package which was aimed at professionalising domestic work, the labour agreement reached with Saudi Arabia in 2013, and the ratification of the International Labour Organization (ILO) Domestic Workers Convention, 2011 (No. 189). The second concerns the deployment only to countries that provide protection to migrant workers (RA 10022, sec. 3). This requires the Department of Foreign Affairs to certify countries that provide protection to migrants. But in fact only a small number of countries have been considered unsafe and they are not the major countries of destination of OFWs.

While OFWs are abroad, they are protected through various services co-ordinated by Philippine embassies and consulates. The Office of the Undersecretary for Migrant Workers Affairs, which is responsible for the legal representation and repatriation of OFWs in crisis situations, is under the Department of Foreign Affairs. In countries where there are large numbers of Filipinos, Philippine embassies and consulates oversee a Migrant Workers and Other Overseas Filipinos Resource Center, with functions such as counselling, information and legal representation. The protection of overseas Filipinos is considered the highest priority of Foreign Service posts, which are tasked to operate as a team, under the leadership of the ambassador.

A variety of programmes and services for migrants and their families are provided by the Overseas Workers Welfare Administration (OWWA), which is a welfare fund built up with contributions paid by employers (in practice, the USD 25 membership fee has been passed on to workers). Membership in OWWA entitles migrants and their families to disability and death benefits and education and training programmes (including scholarships for dependents of OFWs).[15] As a welfare fund, OWWA does not receive a funding allocation from the government. Other stakeholders are very critical about this. On 10 May 2016, President Aquino signed into law RA 10801, An Act Governing the Operations

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and Administration of the Overseas Workers Welfare Administration, which further boosts the government's efforts to promote the protection of OFWs. Known as the OWWA Charter, the law provides government funds to shoulder the operational and staff expenses of OWWA, which frees up more funds to support programmes and services to migrants and their families. The OWWA Charter also specifies reintegration as a core programme of OWWA, and as such, it transfers the National Reintegration Center for OFWs from the DOLE to OWWA.

To ensure access to social protection, OFWs are required to pay their health insurance contribution to PhilHealth and they are encouraged to be members of the national Social Security System (SSS).

Protecting overseas workers entails transnational action

The Philippines pursues international, regional and bilateral actions for promoting the protection of OFWs. As a founding member of ASEAN, the Philippines has led the discourse on migration within the region. In 2007, the ASEAN Declaration on the Protection and Promotion of the Rights of Migrant Workers was adopted. Negotiations are at an advanced stage in adopting a binding instrument. With the establishment of the ASEAN Economic Community (AEC) in 2015, the free flow of skilled labour should be implemented as part of the pillar on creating a single market and production base. Towards this end, countries are working on Mutual Recognition Arrangements (MRAs) in the services sector.[16] However, the MRAs will not ensure automatic circulation of the highly skilled, as many obstacles remain in terms of visas and permits. In addition, the MRAs are limited to eight professions: engineers, architects, nurses, doctors, dentists, accountants, surveyors and those in the tourism industry.

At the international level, the Philippines has ratified most of the humanitarian and ILO conventions related to migration. It has also entered into bilateral agreements with several countries of destination. Often, such agreements take the form of memoranda of understanding (MOU) which are mostly about facilitating the employment of migrants – they are less specific concerning protection issues.[17] The 2013 agreement forged with the Kingdom of Saudi Arabia concerning the recruitment of Filipino of domestic workers is a breakthrough because it was the first time that Saudi Arabia inked an agreement with a labour sending country.[18]

Return, reintegration and remittance investment programmes are still a work in progress

Since labour migration is temporary, the return and reintegration of OFWs is an important aspect. Reintegration has already been considered in the Migrant Workers and Overseas Filipinos Act of 1995 (RA 8042), which provided for the establishment of a Replacement and Monitoring Center. The policy remained mostly on paper, however. In 2007, the National Reintegration Center for OFWs (NRCO) was established. Sec. 18 of RA 10022 further defined its functions and

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partnerships with other government agencies, service providers, international organisations and other stakeholders. The operations of NRCO were further strengthened by the allocation of funds and staff to carry out its functions which include, among others, developing programmes and projects for livelihood, entrepreneurship, savings, investments and financial education for return migrants and their families; coordinating with relevant stakeholders in the development and implementation of programmes; and conduct research in support of policy and programme development.

Initiatives aimed at unleashing the potential of return migrants in promoting knowledge transfer include the pioneering *Balik* (Return) Scientist Programme, introduced in 1975. A recent variant is the *Balik Turo* (Teach Share) programme in co-operation with the Philippine Nurses Associations – it aims to promote teaching and learning through the circular migration of nurses. Opportunities to share knowledge and expertise are also among the ways the Filipino diaspora can help to support development in the Philippines.[19] CFO has been running the LINKAPIL (*Lingkod sa Kapwa Pilipino* or Service to Fellow Filipino) Programme, which, since 1989, has served as an avenue for overseas Filipinos to support welfare and development programmes in the Philippines. Between 1990 and 2012, LINKAPIL received over USD 50 million which went into supporting various programmes in the Philippines (e.g. disaster relief programmes and scholarships, among others).[20] CFO and NEDA co-organised the Remittances and Development Council, a multi-stakeholder policy and advisory body dedicated to creating a safe and efficient remittance environment in the country.[21]

Under the Joint Migration and Development Initiative, CFO has pursued capacity building of local government units in selected regions to enable them to integrate migration into their local development plans. It has also promoted the empowerment of overseas Filipinos through financial literacy programmes. In collaboration with the Western Union Foundation and the United Nations Development Programme, it has launched the Philippine Financial Freedom Campaign, an online facility which aims to provide financial education (e.g. how to save and investment tips) to overseas Filipinos and their beneficiaries.[22]

What is the institutional framework governing migration?

The governance of migration is a multi-agency undertaking:

- Immigration is the mandate of the Bureau of Immigration (BI). The Philippine Immigration Act of 1940 provides the legal basis for policies concerning the admission and stay of foreign nationals. The Department of Justice, through the BI, is the institution responsible for immigration matters. Immigration policies are mostly about enforcement and border control. No specific programmes have been devised for the integration of immigrants into the Philippines. Several bills proposing to update the Philippine Immigration Act have been filed in Congress, but they have been overshadowed by other issues.

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- Permanent migrants are the responsibility of the Commission on Filipinos Overseas (CFO). Created in 1980 by Batas Pambansa 79, CFO is mandated to maintain the links between permanent migrants and the Philippines. At one point, CFO was under the Department of Foreign Affairs; later, it was placed under the Office of the President. In 2010, CFO became more involved with migration and development issues and this policy turn resulted in more engagement with the Filipino diaspora and various stakeholders.
- Temporary migrant workers come under the Department of Labor and Employment (DOLE) and its attached agencies, responsible for specific aspects of overseas employment. The Philippine Overseas Employment Administration (POEA) was established in 1982 and is tasked with the regulation of the employment agencies, the regulation of the migration process, anti-illegal recruitment programmes, and the adjudication of complaints filed against employment agencies. The Overseas Workers Welfare Administration (OWWA) was established in 1977 and is a welfare fund for the benefit of migrants who pay a membership fee. It oversees the Pre-Departure Orientation Seminar (PDOS) which is mandatory for migrant workers. The POEA and OWWA have migrant worker representatives on their board of directors. The National Labor Relations Commission (NLRC), established by the 1974 Labor Code, is a quasi-judicial body with original and exclusive jurisdiction over claims concerning the employee-employer relationship. It adjudicates in particular claims of migrant workers concerning payment for the unfinished portion of the contract.
- Return migrants are dealt with by the National Reintegration Center for OFWs (NRCO), tasked with the reintegration of OFWs and the promotion of their local employment and entrepreneurship.

The Department of Foreign Affairs is responsible for the release of passports and for providing assistance to overseas Filipinos through the Foreign Service posts. Assistance in time of crisis and for repatriation is provided by the Office of the Undersecretary for Migrant Workers Assistance (OUMWWA). Other departments assume specific responsibilities in the governance of migration: the Department of Health for health insurance, the Commission on Higher Education (CHED) for the verification of educational training of migrants, the Technical Education Skills Development Authority (TESDA) for training programmes and skills certification, and the BSP for remittances.

Inter-agency co-operation is highly relevant. Such co-operation is already mandated by law in regard to the fight against illegal recruitment (RA 10022, sec. 16, d.2), in the provision of free legal assistance (RA 10022, sec. 8), in the assistance to overseas Filipinos through the Migrant Workers and Other Overseas Filipinos Resource Centers, which are present in selected countries (RA 10022, sec. 12), the reintegration of OFWs (RA 10022, sec. 10), and the Shared Government Information System for Migration (RA 10022, sec. 13). However, inter-agency co-ordination remains a challenge in practice.

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The momentum for integrating migration into national development plans has been strengthened by the creation of the Sub-Committee on International Migration and Development (SCIMD) within the National Economic Development Authority (NEDA) in 2014. Envisioned as a "platform that will provide policy coherence (between national and sectoral development policies) and promote institutional coordination,"[23] the SCIMD includes members from the Department of Labour and Employment, Department of Foreign Affairs, Department of Interior and Local Government, Union of Local Authorities of the Philippines, and the National Anti-Poverty Commission.

Notes

1. Republic Act No. 8042, Migrant Workers and Overseas Filipinos Act of 1995 *http://www.poea.gov.ph/laws&rules/files/Migrant%20Workers%20Act%20of%201995%20(RA%208042).html*

2. A Social Contract with the Filipino People: Benigno S. Aquino III Platform of Government (*http://www.gov.ph/about/gov/exec/bsaiii/platform-of-government/*)

3. The varying estimates produced by UN DESA (see Table 2.1) and CFO stem from their different methodologies and data sources. The CFO estimate is based on: i) primary sources, i.e., registration data of emigrants and other clientele of CFO (for permanent migrants), overseas deployment data from the Philippine Overseas Employment Administration (for temporary migrants, specifically legally deployed OFWs) and consolidated reports (including estimates about irregular migrants (submitted by more than 80 Foreign Service posts to the Department of Foreign Affairs; and ii) secondary sources, census and other data from various host countries. The *Country Migration Report* (IOM and SMC, 2013) also discusses the limitations of the formula in estimating the stock population and problems in the definition of permanent migrants. The latter includes "Filipino immigrants and legal permanents residents abroad, Filipino spouses of foreign nationals, Filipinos naturalized in their host country, Filipino dual citizens and their descendants." The definition, thus, includes non-Filipino citizens. The UN DESA estimates are based on censuses and use the foreign-born population or foreign citizens to produce the estimate. UN DESA also indicates if the number of refugees is included in the estimate of international migrants. For countries where no data are available, the number of international migrants is obtained by imputation. For details, see UN DESA (2015).

4. For details, see "Statistical Profile of Registered Filipino Emigrants, 1981-2015", *http://cfo.gov.ph/downloads/statistics/statistical-profile-of-registered-filipino-emigrants.html*.

5. The PSA was created by the Philippine Statistics Act of 2013 which was signed into law on 12 September 2013. The PSA merged the former National Statistics Office, National Statistical Coordination Board, Bureau of Agricultural Statistics and Bureau of Labor and Employment Statistics into one organisation.

6. The Trafficking in Persons (TIP) Report is an annual report issued by the U.S. State Department's Office to monitor and combat human trafficking. The TIP report rank governments into one of four tiers based on the extent of government action to combat trafficking. A tier 2 ranking indicates that a country does not fully meet the Trafficking Victims Protection Act's (TVPA) minimum standards but are making significant efforts to meet those standards. For more information see *http://www.state.gov/j/tip/rls/tiprpt/2016/index.htm*.

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7. Global Flow of International Tertiary Level Students: *http://www.uis.unesco.org/Education/Pages/international-student-flow-viz.aspx*
8. For example, see the Balinkbayan portal launched by CFO in 2010 (*www.balinkbayan.gov.ph*).
9. The health sector is implicated in migration in two ways: the outmigration of health professionals (which is commonly perceived as resulting in the shortage of health personnel, especially in rural areas) and the health of migrant workers. As regards the latter, in 2015 the Department of Health established the Migrant Health Unit at the Bureau of International Cooperation and organised the Philippine Migrant Health Network. In November 2015, the Strategic Plan for the Philippine Migrant Health Program 2016-2022 was finalised; in March 2016, Administrative Order (AO) No. 2016-007 on the National Policy on the Health of Migrants and Overseas Filipino was issued.
10. According to the Asian Development Bank, unemployment among university graduates is increasing in Southeast Asia; it is highest in Indonesia and the Philippines (ADB, 2011).
11. Atleast one study found no such positive influence (Ang, Sugiyarto and Jha, 2009).
12. Generating jobs for 14.6 million Filipinos by 2016 is an enormous challenge. Assuming continuing GDP growth at above 5% will generate good jobs for 2.2 million Filipinos between 2013 and 2016, there will still be 12.4 million Filipinos without a job, for whom the options would include seeking work overseas, work in the informal sector, or self-employment (World Bank, 2013).
13. The Philippines has developed various information programmes for migrant workers. They include the mandatory pre-departure orientation seminars, which have been supplemented by pre-employment orientation seminars provided in various areas in the Philippines and, as well as post-arrival orientation seminars undertaken by some embassies and consulates. Recently, POEA has launched online pre-employment seminars for professional migrants and domestic workers.
14. The government allows employment agencies to collect a fee from migrants, but limits it to the equivalent of one month salary. Since 2006, the government imposed a no placement fee policy for domestic workers. The co-operation of employment agencies in destination countries is crucial in reducing recruitment costs. The strong opposition of the migration industry has kept the government from ratifying the ILO Private Employment Agencies Convention, 1997 (No. 181), which stipulates that private recruitment agencies shall not charge any fees or costs to workers.
15. See *www.owwa.gov.ph*.
16. MRAs for the following professional services have been signed: engineering, nursing, architecture, surveying, medical practitioners, dental practitioners, accountants and tourism professionals (*http://www.asean.org/storage/images/2015/October/outreach-document/Edited%20MRA%20Services-2.pdf*).
17. See *http://www.poea.gov.ph/laborinfo/bLB.html* and *http://www.poea.gov.ph/laborinfo/bSB.html* for bilateral agreements concerning land-based and sea-based OFWs.
18. For details on the Agreement on Domestic Worker Recruitment between the Ministry of Labor of the Kingdom of Saudi Arabia and the Department of Labor and Employment of the Republic of the Philippines, see *http://www.poea.gov.ph/laborinfo/agreement/2.pdf*.
19. Information concerning these matters are available on the Balinkbayan portal (*www.balinkbayan.gov.ph*).
20. See *www.cfo-linkapil.org.ph*.
21. See *http://cfo.gov.ph/other-programs-initiatives/remittance-for-development-council-redc.html*.

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22. See *http://pesosense.com*.

23. Draft Resolution (Series of 2014), "Approving the Creation of a Sub-Committee on International Migration and Development" (provided by NEDA).

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Chapter 3

Understanding the methodological framework used in the Philippines

In order to provide an empirical foundation to the analysis of the links between migration and policy, the Interrelations between Public Policies, Migration and Development (IPPMD) project used three evidence-gathering tools: a household survey, a community survey, and interviews with representatives of public, international and local organisations to provide additional qualitative information about the migration context in the Philippines.

This chapter explains how the sampling for the survey was designed, as well as the statistical approaches used in the chapters that follow to analyse the impact of migration, remittances and return on key policy sectors. The chapter includes a brief overview of the survey findings, including differences across regions and between migrant and non-migrant households. It outlines some of the gender differences that emerged among migrants, particularly in terms of the destination country for emigrants, and the reasons for leaving and returning.

The IPPMD project carried out fieldwork in the ten partner countries to provide evidence-based analysis on the interrelationship between migration, development and the various sectors under study. The fieldwork introduced three primary tools developed by the OECD Development Centre: a household survey, a community survey and stakeholder interviews. The generic version of each tool was tailored to the Filipino context in collaboration with the Scalabrini Migration Center (SMC), who conducted the fieldwork:

1. The **household survey** covered 1 999 households. The household questionnaire gathered information about individual and household characteristics related to four key development sectors: i) the labour market; ii) agriculture; iii) education and iv) investment and financial services, as well as household members' experience with emigration, remittances and return migration. It also asked about their experience of specific public policies which may affect their migration and remitting patterns. It collected information from both migrant and non-migrant households, providing a comparative basis for analysis.
2. The **community survey** was conducted to complement the household survey. It was carried out in the 37 communities where the household survey took place. Respondents were district and local leaders. The questionnaire documented demographic, social and economic information, policies and development programmes at community-level.
3. The **stakeholder interviews** were conducted with 40 representatives of government ministries, public institutions, non-governmental organisations, religious organisations, trade unions, private sector institutions and international organisations to collect qualitative information on trends, policies, opinions and predictions related to the various aspects of migration in the country. The information provided enriches and helps interpret the quantitative household and community surveys by including additional details on specific country contexts.

This chapter describes how the fieldwork was implemented in the Philippines, as well as the analytical approaches used to explore the interrelations between the various dimensions of migration and sectoral public policies. Finally, it presents basic descriptive statistics of the data collected.

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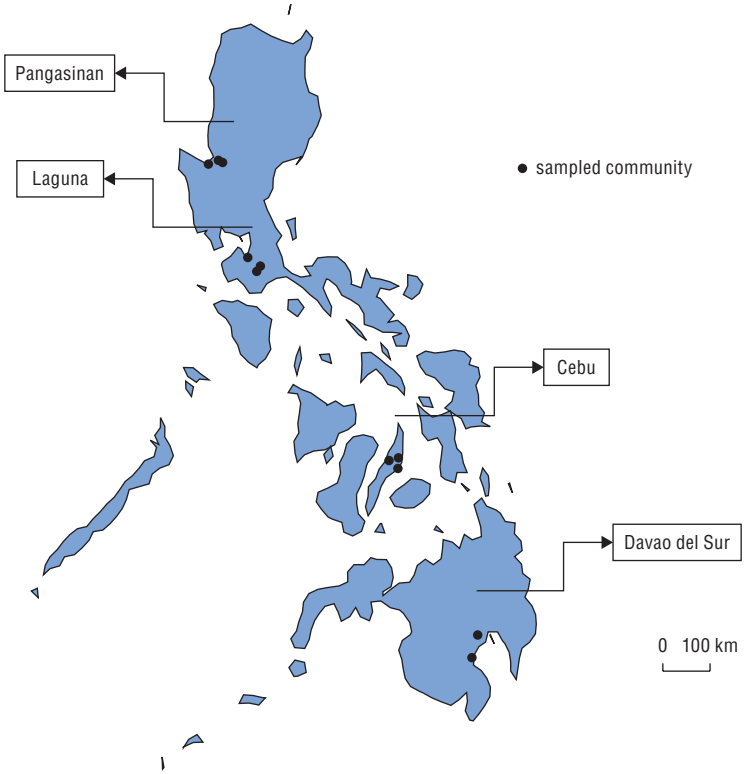
How were the households and communities sampled?

A multi-stage stratified sampling strategy was used to select the communities and households to be interviewed (Annex 3.A1 contains more details). First, provinces were selected based on the magnitude and density of international migrants using data from multiple sources: data on overseas Filipino workers (OFWs) were obtained from the 2012 deployment data from the Philippine Overseas Employment Administration (POEA), the Overseas Workers Welfare Administration (OWWA), and the 2011 Labor Force Survey (LFS) while data on registered emigrants were sourced from the Commission on Filipinos Overseas (CFO). This led to the following four provinces being selected for the survey: Laguna and Pangasinan on the island of Luzon, Cebu in the region of the Visayas, and Davao del Sur on the island of Mindanao (Figure 3.1).

Figure 3.1. **Provinces and sample sites in the Philippines**



The second stage involved selecting municipalities from both rural and urban areas within the four selected provinces. The definition of rural and urban areas is based on the Philippine Standard Geographic Code.[1] Within the four selected provinces, the ten cities/municipalities with the largest number of

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emigrants were listed (using POEA data on new hires which provided information on the top source cities/municipalities of OFWs), from which one urban and two rural municipalities were randomly selected (Table 3.1).[2] One initially selected municipality in Laguna was replaced because of safety concerns at the time of sampling.

Table 3.1. **Sampled provinces and municipalities/cities**

Province	Urban municipalities	Rural municipalities
Laguna	Binan City	Alaminos Calauan
Pangasinan	Dagupan City	Binalonan Pozorrubio
Cebu	Mandaue City	Balamban Danao City
Davao del Sur	Davao City (urban) Digos City (urban)	Davao City (rural) Digos City (rural)

Within each selected municipality, three *barangays*, the smallest administrative division in the Philippines, were randomly selected with probability proportionate to the size of their population. For each municipality, two additional *barangays* were put on a reserve list in case a replacement was needed (e.g. if officials did not give permission for the survey). Because there was no existing list identifying households with and without migrants, a household enumeration had to be undertaken to create a sampling framework. The large size of the *barangays* meant that an enumeration of the whole *barangay* was neither possible nor necessary; instead, three zones within each barangay (called *purok* or *sitio*) were randomly selected.[3] In total, 37 *barangays* or enumeration areas were sampled. Both households with and households without migrants were randomly selected from the enumeration lists (Box 3.1). The target ratio for households with and households without migrants was 50:50. A household could be replaced if the originally selected household refused to participate, could not be interviewed after three visits, or was misclassified in the enumeration list.[4] Within the selected households, an adult knowledgeable about household-related information (e.g. remittances, investments and decision making), was selected as the main respondent. A short description of the modules included in the survey is included in Annex 3.A2.

Household survey

The survey targeted 2 000 households for interviews. However, during the data processing, it was found that one household had been interviewed twice. The duplicate household was dropped from the sample, and therefore, the actual sample size is 1 999. As shown in Table 3.3, the actual distribution of surveyed households by type of household and by urban-rural residence was in line with the targeted distribution.

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Box 3.1. **Key definitions for the Philippine household survey**

A **household** consists of one or several persons, irrespective of whether they are related or not, who normally live together in the same housing unit or group of housing units and have common cooking and eating arrangements.

A **household head** is the most respected/responsible member of the household, who provides most of the household needs, makes key decisions and whose authority is recognised by all members of the household.

The **main respondent** is the person who is most knowledgeable about the household and its members. He or she may be the head, or any other member (aged 18 or over). The main respondent answers the majority of the modules in the questionnaire, with the exception of the return migrant module which was administered directly to the returnee. As it was not possible to interview migrants who were abroad at the time of the survey, questions in the emigrant module were asked of the main respondent.

A **migrant household** is a household with at least one current international emigrant or return migrant (Table 3.2).

A **non-migrant household** is a household without any current international emigrant or return migrant.

An **international emigrant** is an ex-member of the household who has left to live in another country (including seafarers), and has been away for at least three consecutive months without returning.

An **international return migrant** is a current member of the household who had previously been living in another country (including seafarers) for at least three consecutive months and who returned to the country.[a]

International remittances are cash or in-kind transfers from international emigrants. In the case of in-kind remittances, the respondent is asked to estimate the value of the goods the household received.

A **remittance-receiving household** is a household that has received international remittances in the past 12 months prior to the survey. Remittances can be sent by former members of the household as well as by migrants who have never been part of the household.

Table 3.2. **Household types, by migration experience**

Non-migrant households	Migrant households
Households without any emigrants or return migrants	Households with one or more emigrants but no return migrant Households with at least one emigrant and one return migrant Households with one or more return migrants but no emigrant

a. This does not include individuals who are currently in the country on vacation and/or to process their papers to work/go abroad again (including seafarers). However, household members who are in the Philippines for the same reasons and have been in the country for at least a year are considered as return migrants.

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Table 3.3. **Number of households sampled in the Philippines**

	Urban	Rural	Total
Migrant households	501 (25.0%)	500 (25.0%)	1 001
Non-migrant households	501 (25.1%)	497 (24.9%)	998
Total	1 002	997	1 999

Source: Authors' own work based on IPPMD data.

Community survey

In each of the 37 enumeration areas, a community questionnaire was administered by the fieldwork co-ordinator. The target respondents were the *barangay* captains (or chairpersons), the highest elected official at the *barangay* level. However, it was not always possible to interview the *barangay* captain. In their place the respondent could be either the *barangay* secretary, councillor, or another *barangay* officer. Of the 37 communities surveyed, the distribution of respondents was as follows: 12 *barangay* captains; 13 *barangay* secretaries/treasurers; 6 *barangay* councillors; and 6 other *barangay* personnel.[5] In 25 cases, the community survey was conducted at the same time as the household interviews; in 12 communities (3 in Laguna and 9 in Davao del Sur), the community survey was conducted after the household survey was completed.

The community survey included questions on the share of households that currently have a family member living in another country and their most common country of residence, as well as the most common occupational activities of those living in the community.

In all cases, the geographical areas covered by the community questionnaires were larger than the enumeration area. The research sites were sampled zones within the selected *barangays*, not the whole *barangay*. The interviews were conducted in English and were only translated into local languages in Davao del Sur. The co-ordinators in the three other provinces did not see this as a problem.

Stakeholder interviews

In order to supplement the quantitative data, semi-structured interviews with stakeholders from different backgrounds (Table 3.4) were conducted using an interview guide developed by the OECD Development Centre. The guide was divided into five topics:

1. general awareness of migration
2. actions, programmes and policies directly related to migration
3. main actions, programmes and policies likely to have a link with migration
4. perceptions of migration-related issues
5. co-ordination with other stakeholders on migration.

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Questions for each topic were modified according to whether the institution interviewed was working on migration issues directly or indirectly, and its role vis-à-vis migration policy. Fifty stakeholder interviews were planned; 57 stakeholders were contacted, of whom 40 were interviewed. The most common reason for stakeholders to refuse the interview was that migration is not part of their work. The institutions selected included migration-related government agencies, non-migration related government agencies (since the Philippines focused on the following sectors – agriculture, labour market, education, and investments, these were the sectors targeted), civil society organisations (including diaspora organisations), the private sector (e.g. businessmen's organisations, recruitment agencies, bank association), and international organisations. Most of the interviewees in the government sector were from national government agencies. The team also included interviewees from two regional government agencies and two local government units. The interviews were conducted in English and/or a combination of English and Tagalog (English and Cebuano in the case of the interview in Davao City). All interviews were recorded and transcribed.

Table 3.4. **Summary of interviewees for qualitative interviews, by type of organisation**

Type of organisation	Number of interviews
Public institutions	21
International organisations	4
Local NGOs / private sector	15
Total	40

How were the data analysed?

Having described the tools used to collect data for the project, this section provides an overview of how the data were analysed. A general overview of migration follows, while the remaining chapters in the report present the results of the analysis on the links between migration and public policies.

Statistical analysis assesses the statistical significance of an estimated relationship, that is, how likely it is that a relationship between two variables is not random. The analyses in this report incorporate both statistical tests and regression analysis. Statistical tests, such as t-tests and chi-squared test, calculate the correlation between two variables, without controlling for other factors. A t-test compares the means of a dependent variable for two independent groups. For example, it is used to test if there is a difference between the average number of workers hired by an agricultural household with emigrants and one without (Chapter 5). A chi-squared test is applied when investigating the relationship between two categorical variables, such as private school attendance (which only has two categories, yes or no) by the children

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living in two types of households: those receiving remittances and those not (Chapter 6). These statistical tests determine the likelihood that the relationship between two variables is not caused by chance.

Regression analysis is useful to ascertain the quantitative effect of one variable upon another, controlling for other factors that may also influence the outcome. The household and community surveys included rich information about households, their members, and the communities in which they live. This information is used to create control variables that are included in the regression models in order to single out the effect of a variable of interest from other characteristics of the individuals, households and communities that may affect the outcome.

Three basic regression models are used in the report: ordinary least square (OLS), probit and logit models. The choice of which one to use depends on the nature of the outcome variable. OLS regressions are applied when the outcome variable is continuous. Probit models are used when the outcome variable can only take two values, such as owning a business or not.

The analysis of the interrelations between public policies and migration is performed at both household and individual level, depending on the topic and hypothesis investigated. The analysis for each sector-specific chapter is divided into two sections:

- The impact of a **migration dimension** on a **sector-specific outcome**

$$Y_{sector\ specific\ outcome(C)} = \alpha + \beta E_{migration\ dimension(A1)} + \gamma \mathbf{X}_{characteristics(D)} + \varepsilon;$$

- The impact of a **sectoral development policy** on a **migration outcome**

$$Y_{migration\ outcome(A2)} = \alpha + \beta E_{sector\ dev.\ policy(B)} + \gamma X_{characteristics(D)} + \varepsilon.$$

The regression analysis rests on four sets of variables:

- **Migration**, comprising: i) **migration dimensions** including emigration (sometimes using the proxy of an intention to emigrate in the future), remittances, and return migration; and ii) **migration outcomes**, which cover the decision to emigrate, the sending and use of remittances, and the decision and sustainability of return migration.
- **Sectoral development policies:** a set of variables representing whether an individual or household took part or benefited from a specific public policy or programme in four key sectors: the labour market, agriculture, education and skills, and investment and financial services.
- **Sector-specific outcomes:** a set of variables measuring outcomes in the project's sectors of interest, such as labour force participation, investment in livestock rearing, school attendance and business ownership.
- **Household and individual-level characteristics:** a set of socio-economic and geographical explanatory variables that tend to influence migration and sector-specific outcomes.

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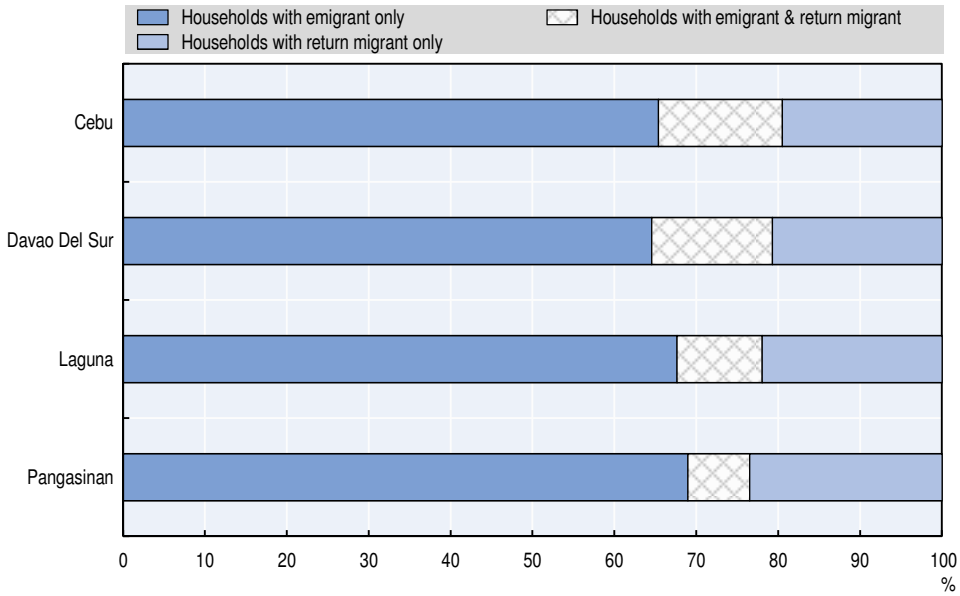
What do the surveys tell us about migration in the Philippines?

The migration dimensions of emigration and return were left to chance in the sampling of migrant households, therefore their numbers reflect their relative importance in each province. Figure 3.2 shows the prevalence of emigrants and return migrants by province, based on the household data. It shows that the relative rates of emigrants and return migrants are similar across provinces.

Figure 3.2. **Relative emigration and return migration rates differ little across provinces**

Relative share of emigrant and return migrant households among migrant households (%), by province



Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933458185

Overall, the 1 999 household interviews collected data on 9 455 individuals, as well as another 1 037 former household members who had emigrated. A total of 788 households had former members who had emigrated – 39% of all households in the sample (Figure 3.3, left-hand pie chart). Among the individuals currently living in the country, 361 were return migrants, and specific data about their migration experience were also collected. The 335 households with return migrants formed 17% of all households in the sample (Figure 3.3, right-hand pie chart); 120 households (6% of the sample) have both emigrants (one or more) and return migrants (one or more).

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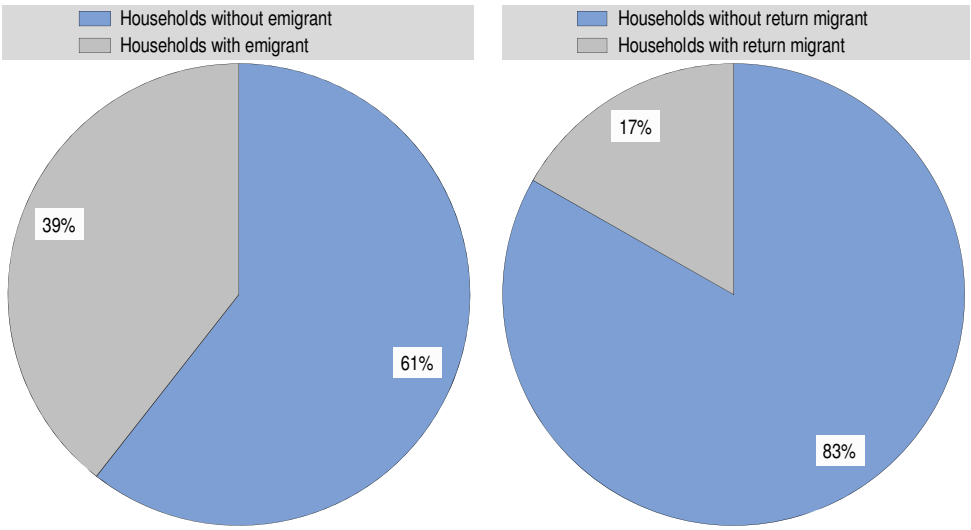
Figure 3.3. **Share of households, by migration experience**



Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933458190

Table 3.5 shows the differences in characteristics between households with different migration experience. Households with emigrants are only marginally smaller than households without migrants. Given that at least one of their members has left the household, this seems to suggest that emigrant households were larger than average before migration. Households with emigrants are slightly more likely to be from urban areas (52% urban), while returnees are more often found in rural areas (56% rural). The dependency ratio is similar across the groups, except for households with returnees, which have a significantly lower ratio. Overall, one in three households has a female head of household, but there are large differences between the groups. Forty-eight percent of the households with emigrants have a female head, whereas among households without migrants this share is only 20%. This comes as a surprise given that the majority of emigrants (56%) are women. The share that has at least one member who has completed post-secondary education is higher among households with migration experience than among those without. For the purposes of this project, a household-level wealth indicator was constructed based on questions in the household survey concerning the number of assets owned by the household. Assets include a range of items, from cell phones to real estate. The wealth indicator is created using principal component analysis. It suggests that households with migration experience tend to be wealthier.

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Table 3.5. **Migrant households are wealthier on average than non-migrant households**
Characteristics of sampled households

	Total sample	Households without migrants	Households with emigrants	Households receiving remittances	Households with returnees
Number of households	1 999	996 (50%)	788 (39%)	903 (45%)	335 (17%)
Households in rural areas (%)	50	50	48	50	56
Household size	4.7	4.8	4.7	4.7	4.8
Dependency ratio	0.71	0.70	0.76	0.75	0.63
Households with children (0-14 years, %)	71	71	71	71	65
Households with female household heads (%)	31	20	48	45	32
Share of households with at least one member having completed post-secondary education (%)	61	49	71	72	81
Wealth indicator	19.8	15.9	24.1	23.6	24.2
Households with members planning to emigrate (%)	41	34	47	49	52

Note: The categories are not mutually exclusive, e.g. a household with both an emigrant and a return migrant is included both as a household with an emigrant, and a household with a return migrant. The dependency ratio is the number of children and elderly persons divided by the number of people of working age (15-65). The share of households with a member planning to emigrate is based on a direct question to all adults (15 years or older) whether or not they have plans to live and or work in another country in the future. The wealth indicator is standardised ranging from 0 to 100, with higher scores indicating wealthier households.

Source: Authors' own work based on IPPMD data.

Table 3.6 summarises the characteristics of adults from the sampled households, broken down by whether they are non-migrants, return migrants or current emigrants. Non-migrants are the youngest group, with an average age of 37, compared to current emigrants (38) and return migrants (47). Overall, women account for 52% of the adults sampled. Among return migrants and emigrants the share of women is higher, at 54% and 56% respectively.

Table 3.6. **Emigrants are most likely to have completed post-secondary education**
Characteristics of adults from the sampled households

	Non-migrants	Return migrants	Emigrants
Number of individuals	6 182	361	1 037
Average age	37	47	38
Share of women (%)	52	54	56
Share (25+) having completed post-secondary education (%)	34	58	70

Note: Only adults (15+) are included. The group of non-migrants includes individuals in households with and without migrants. To calculate education status, the analysis only included individuals aged 25 or over – the age by which they would have completed post-secondary level education.

Source: Authors' own work based on IPPMD data.

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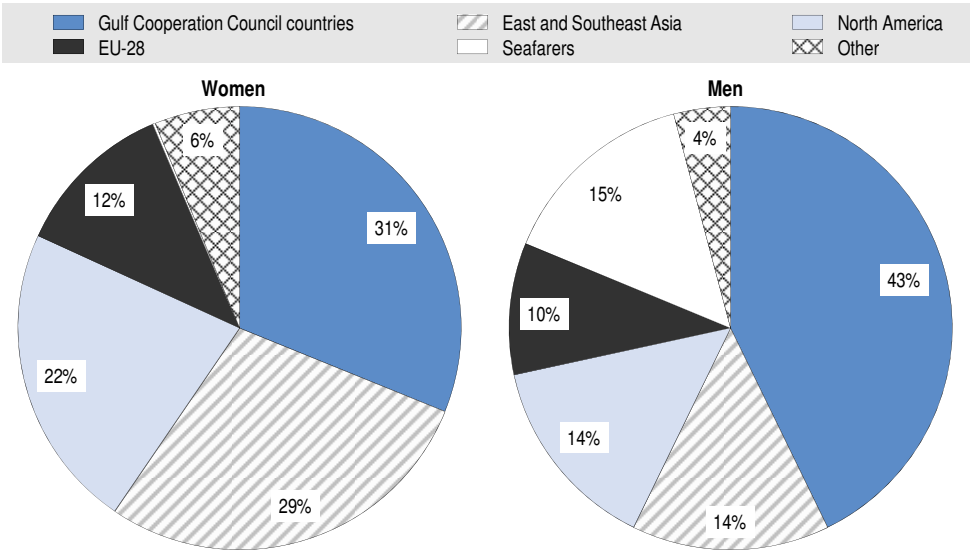
Among individuals without migration experience, 34% have finished post-secondary education. The figure is much higher for emigrants, at 70%. The share of return migrants who have finished post-secondary education is 58%. Among those planning to emigrate in the future (not shown), 53% have finished post-secondary education.

Most emigrants choose the Gulf countries as their destination

Data collected on emigrants included their current country of residence, the time since they emigrated and the reason they left. Emigrants' destination countries vary by gender (Figure 3.4). For both men and women, the largest group migrates to Gulf Cooperation Council (GCC) countries.[6] Fifteen percent of the male emigrants became seafarers, and have no particular country of destination. Women migrate relatively more often than men to North America (22% women versus 14% for men) and East and Southeast Asian countries (29% women versus 14% for men).

Figure 3.4. **Most emigrants (men and women) emigrate to Gulf Cooperation Council countries**

Share of emigrants' current country of residence (%), by gender



Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933458205

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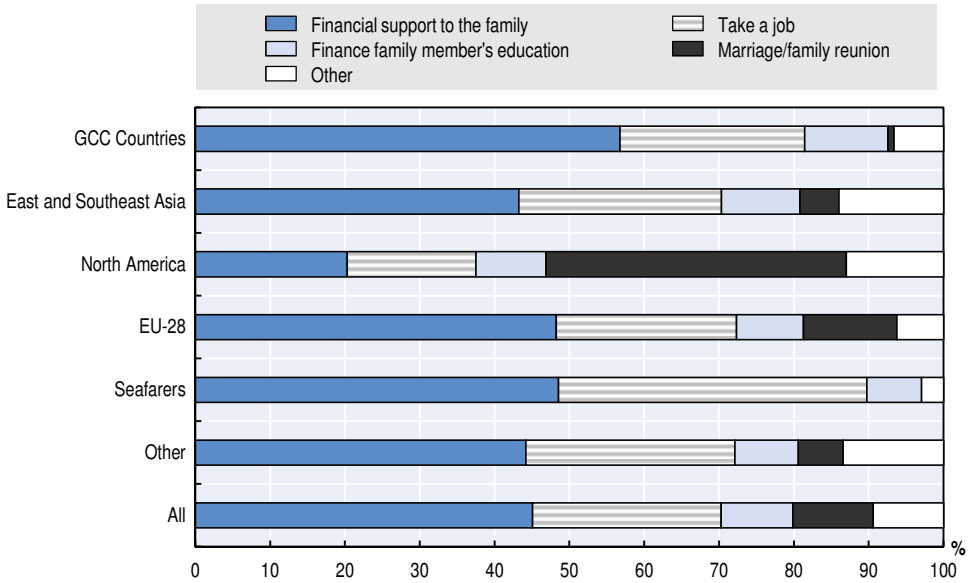
Financial and job related reasons are the main motivators for emigration. Together they account for 70% of the emigrants (Figure 3.5). Among seafarers this is almost 90%, though for those migrating to North America it is much lower, at 37%. The single most important reason for migrating to North America is related to family issues, which accounted for 40% of the emigrants surveyed.

Figure 3.5. **Most people emigrated for financial or job related reasons**

Relative share of reasons emigrants left (%), by destination country



Note: Respondents were given the chance to provide two reasons for emigrating, but only the first reason was taken into account. Countries are ordered by the size of the Filipino emigrant stock in that country.

Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933458217

About 35% of the emigrants left the Philippines less than two years ago, 20% left between two and five years ago, 20% between five and ten years ago, and the remaining 25% left more than ten years ago. Among emigrants currently living in the United States, 42% left more than ten years ago.

Remittances are most likely to be invested in education

Although migration and remittances are closely linked, one does not necessarily imply the other. Eighty-nine percent of emigrants sent remittances, while 97% of households with emigrants receive remittances. Overall, about 45% (903) of the households in the sample receive remittances, 7% (148) receive them from someone who is not a former member of the

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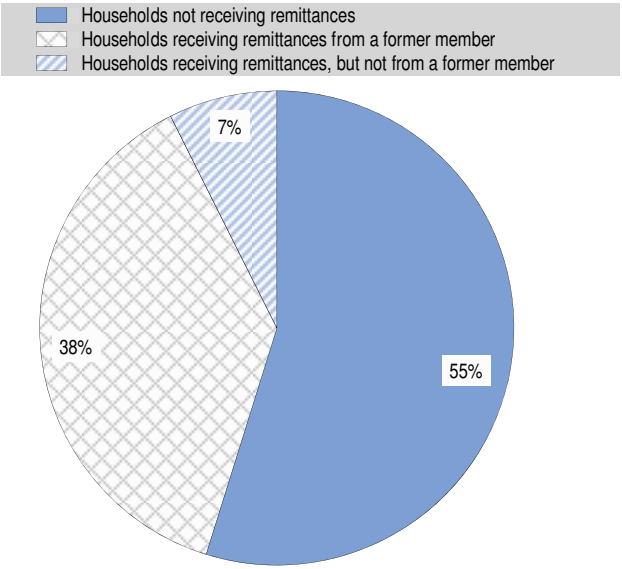
household (Figure 3.6). Among households without emigrants, 12% have received remittances in the past 12 months.

Figure 3.6. **Share of households receiving remittances**



Note: The category "households receiving remittances from a former member" does not imply that they solely receive remittances from a former member. This category includes households that receive remittances also from other emigrants.

Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933458227

Emigrants who send remittances sent on average around 141 000 Philippine Pesos (PHP) home during the 12 months leading up to the survey (equivalent to USD 3 240). This includes both monetary remittances and in-kind remittances. About 24% of emigrants had sent in-kind remittances during the previous year, with an average estimated value of PHP 18 000 (USD 410).

The amount of remittances an emigrant sends home varies with the destination countries (Figure 3.7). Seafarers stand out for remitting on average PHP 327 000 (USD 7 500), which is more than double the average (PHP 141 000 or USD 3 240). Compared to land-based workers, seafarers tend to earn more, and they are required to remit at least 80% of their monthly salary to their designated allottee in the Philippines.[7]

Information was also collected on financial decisions made by households receiving remittances from a former household member. The most common activity, both for urban and rural households, involved paying for a household member's schooling (37%; Figure 3.8), especially for households headed by women (41% against 33% for male headed households), which are also more

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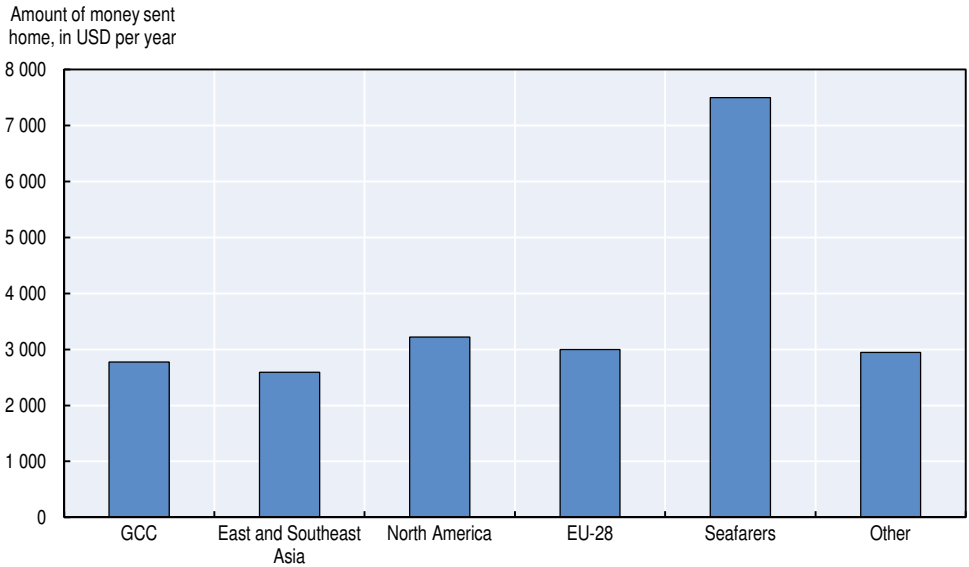
likely to include children. The second most common activity, undertaken by 28% of households receiving remittances from a former member, was to repay a loan or debt. This can be linked to the fact that 21% of emigrants financed their emigration with a loan.

Figure 3.7. **Seafarers sent twice as much money home**

Average amount of remittances, by emigrants' destination country



Note: Remittance amounts were provided by respondents in PHP, the exchange rate at 1 July 2014 was used to calculate the amount in USD.

Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933458239

Many return migrants find it hard to find a job on their return

The survey also collected detailed information on return migration. As well as the questions asked to all household members, return migrants were asked additional questions about their experiences as an emigrant; their work status before, during and after emigration; and their reintegration. Figure 3.9 shows return migrants' former countries of residence. Men return more often from GCC countries, while women who return are most often from the East and Southeast Asian countries. Although East and Southeast Asian countries are not major destination countries, they are overrepresented as the countries where male and female returnees come from. North America and the European countries (EU-28) are underrepresented, indicating that migrants who go there are more likely to stay than return.

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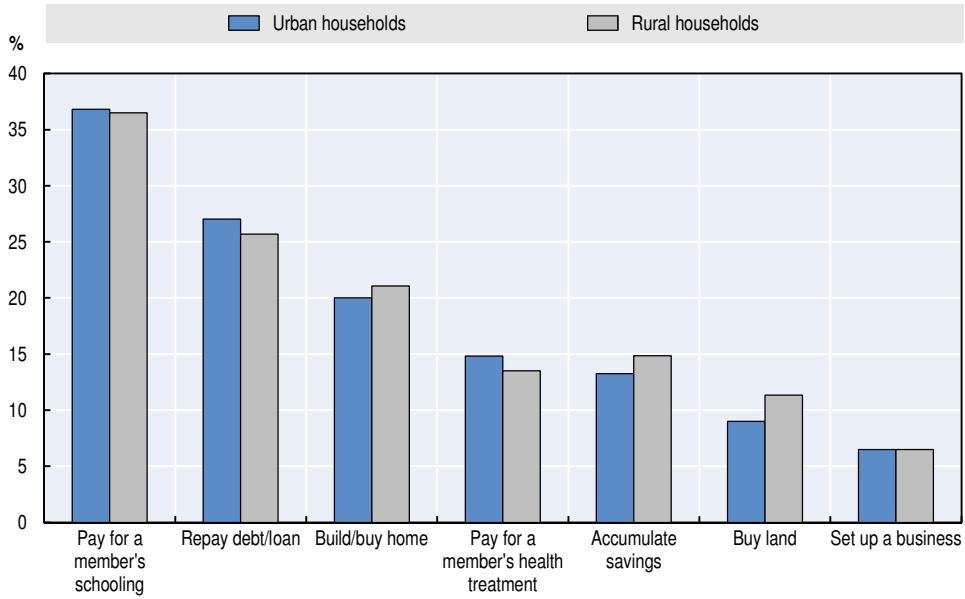
Figure 3.8. **Households receiving remittances from a former member are most likely to invest in education**

Actions taken by households receiving remittances from a former member



Note: The sample only includes households that receive remittances from a former household member. The figure displays the top seven most common activities reported by households. Households could specify whether they had undertaken activities from the following list: taking a loan from a bank, paying for health treatment or schooling of a household member, accumulating savings, repaying a debt/loan, building or buying a home, investing in agricultural activities, taking out a loan from informal sources, accumulating debt, setting up a business, building a dwelling to sell to others, and buying land.

Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933458242

The reason most returnees gave for having emigrated in the first place was similar to the reason given by current emigrants: to support the family financially or take a job (accounting for 74% of returnees). Most return migrants (38%) returned because they preferred their home country, this includes returning for family reasons, for marriage, to retire or for health reasons (Figure 3.10). The next most common reason for returning was a lack of legal status in the country of destination (34%). Men are slightly more likely to return because of a lack of legal status (39% versus 29% for women), and women are more likely to return because of their preference for the home country (44% versus 32% for men).

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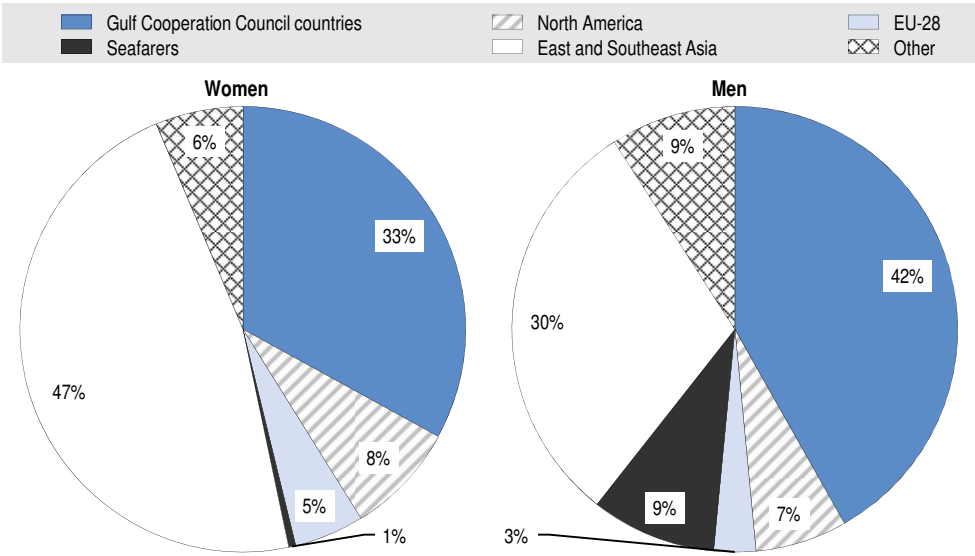
Figure 3.9. **Migrants often return from East and Southeast Asian countries**

Returnees' prior countries of residence, by gender



Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933458257

Return migrants have stayed, on average, 44 months in the country of destination; this is similar for men and women. Return migrants were also asked whether or not they were satisfied to be back in the Philippines. More than three-quarters felt satisfied or very satisfied to be back. Among them, 30% plan to re-migrate in the next 12 months. Among those who are not satisfied to be back, 67% plan to re-migrate in the next 12 months. Half of the returnees have faced challenges after their return, with about 70% of them having found it hard to find a job in the first five years.

This chapter has presented the three tools – household and community surveys and the qualitative stakeholder interviews – used to collect data to analyse the interrelation between migration, public policies and development. The following chapters take a sector-by-sector approach in presenting the results of the data analysis: the labour market (Chapter 4), agriculture (Chapter 5), education (Chapter 6) and finance and investment (Chapter 7).

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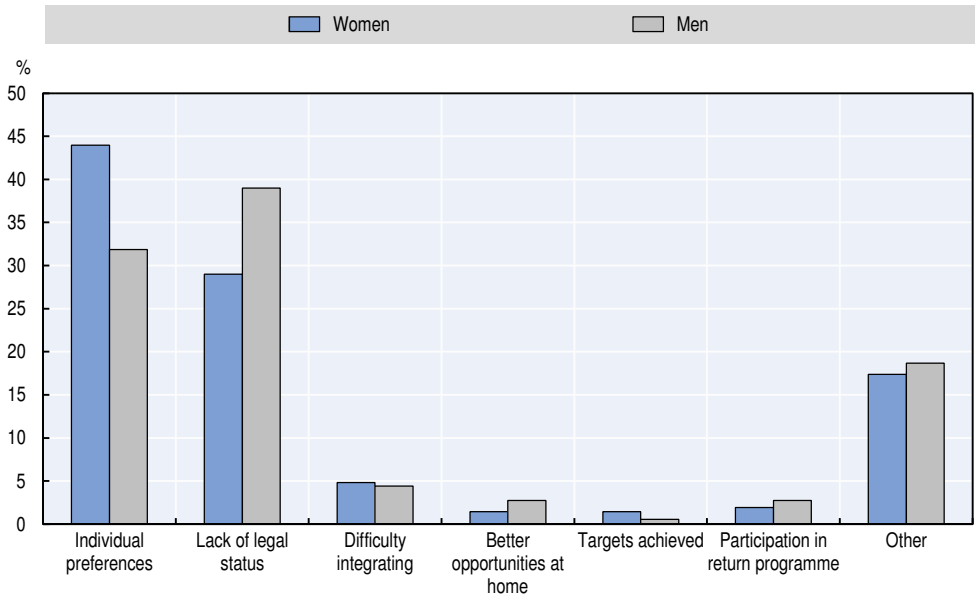
Figure 3.10. **Most migrants return because they prefer their home country**

Reasons for returning (%), by gender



Note: The category "individual preferences" includes returning for family, marriage and health reasons.

Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933458269

Notes

1. "In the Philippines, "urban" areas fall under the following categories:

   a. in their entirety, all municipal jurisdictions which, whether designated chartered cities, provincial capital or not, have a population density of at least 1 000 persons per square kilometre: all *barangays*

   b. *poblaciones* or central districts of municipalities and cities which have a population density of at least 500 persons square kilometre

   c. *poblaciones* or central districts not included in (a) and (b) regardless of the population size which have the following:

   - street pattern or network of streets in either parallel or right angel orientation;
   - at least six establishments (commercial, manufacturing, recreational and/or personal services);
   - at least three of the following:
     - a town hall, church or chapel with religious service at least once a month;
     - a public plaza, park or cemetery;

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- a market place, or building, where trading activities are carried on at least once a week;
- a public building, like a school, hospital, puericulture and health centre or library.

d. *Barangays* having at least 1 000 inhabitants which meet the conditions set forth in (c) above and where the occupation of the inhabitants is predominantly non-farming or fishing."

Rural areas are "all *poblaciones* or central districts and all *barrios* that do not meet the requirements for classification of urban." (*http://nap.psa.gov.ph/activestats/psgc/articles/con_urbanrural.asp*)

2. In the province of Laguna, the top ten municipalities/cities with the highest rate of migration are all urban areas, therefore six municipalities which had at least 150 OFWs and which have rural *barangays* were added to the selection pool. In the provinces of Pangasinan and Cebu, the top ten source communities were all urban or mixed communities. One urban community and two mixed communities were randomly selected, and only the rural *barangays* were considered from the latter.
3. In Danao City (Cebu), two instead of three *barangays* were taken into account. In Balamban (Cebu) two *barangays* with two zones each were selected, and in Binalonan (Pangasinan) two *barangays* with one zone each were included.
4. A household was considered misclassified if a household listed as migrant household turned out not to have a migrant, or vice versa.
5. Other *barangay* personnel included health officer, nutrition officer, public relations officer, President of *Barangay* Health Workers, and *Barangay* Health Worker.
6. A political and economic alliance of six Middle Eastern countries: Saudi Arabia, Kuwait, the United Arab Emirates, Qatar, Bahrain and Oman.
7. Philippine Overseas Employment Administration (POEA), Sec. 8, Memorandum Circular No. 55, Series of 1996.

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ANNEX 3.A1

Summary of the sampling design, the Philippines

Number of strata	Two (urban vs. rural residence, and international migrant vs. non-migrant household)
Base data used for sampling	Listing of households in the sample enumeration area (EA)
National coverage (yes/no)	No. However, there was a deliberate attempt to obtain samples in the three major island groupings of the Philippines. The survey included two provinces in Luzon, and a province each in the Visayas and Mindanao.
Estimated percentage of the population covered*	3.11%: population in the sampled cities divided by total population of the Philippines
Total number of EAs in the country**	42 028 *barangays*
Number of EAs sampled	37 *barangays*
Average population living in an EA***	2 316.31
Number of households sampled	1 999
Number of households sampled per EA	54.05

* This was estimated by summing the population of the sampled cities/municipalities and dividing it by the total population, based on the 2015 census.
** Source: Provincial Summary – Number of Provinces, Cities, Municipalities and Barangays, by Region, as of 31 March 2014, *http://nap.psa.gov.ph/activestats/psgc/*.
*** This was estimated by dividing the projected 2013 population by the total number of *barangays*.

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ANNEX 3.A2

Summary of the modules included in the Philippine household survey

Module 1 *Household roster*	Questions on household characteristics including the number of household members and their relationship to the household head, sex, age, marital status etc. It is worth mentioning that the module asks all household members aged 15 and over about their intentions to migrate internationally.
Module 2 *Education and skills*	Records information on school attendance of children, child labour, language skills and the educational attainment of all members. It also contains a series of policy questions to gather information on whether a household benefited from certain types of education policies, for example scholarships, conditional cash transfer related to education and distribution of school supplies.
Module 3 *Labour market*	Collects information about the labour characteristics of household members. This includes employment status, occupation and main sector of activity; and the means of finding jobs which include government employment agencies. It also asks if members of the household participated in public employment programmes and vocational training.
Module 4 *Expenditures, assets, income*	Questions on household expenditure patterns, asset ownership and various types of income.
Module 5 *Investment and financial services*	Questions related to household financial inclusion, financial training and information on businesses activities. It also collects information about the main obstacles households face in running any businesses.
Module 6 *Agricultural activities*	Administered to households involved in agricultural activities including fishery, livestock husbandry and aquaculture. Records information about the plot, such as number, size, crops grown, how the plot was acquired and the market potential, as well as information about the number and type of livestock raised. This module also collects information on whether households benefited from agricultural policies such as subsidies, agricultural related training or crop price insurance.
Module 7 *Emigration*	Captures information on all ex-members of the household aged 15 or over who currently live abroad. It covers characteristics of the migrants such as sex, age, marital status, relationship to the household head, language skills and educational attainment. It also collects information on destination countries, the reasons they left the country and their employment status both when they were in the home country and in the destination country.
Module 8 *International remittances*	Collects information on remittances sent by current emigrants. It records the frequency of receiving remittances and the amount received, the channels they were sent through, and how they were used.
Module 9 *Return migration*	Collects information on all members of the household aged 15 and over who have previously lived abroad for at least three consecutive months and returned to the country. It records information about the destination and the duration of migration as well as the reasons for emigration and for return.

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Chapter 4

Migration and the labour market in the Philippines

Despite steady economic growth, the Philippine economy is marred by un- and underemployment, contributing to emigration of many people in search of work. This chapter explores what this outflow – and the significant rate of remittance inflows – means for the domestic labour market. It also investigates the role played by labour market programmes – particularly employment agencies and vocational training – in people's migration decisions. The recommendations for policy are outlined, particularly in terms of how to improve skills matching in the labour market.

People often feel forced to seek jobs in another country when work opportunities at home are scarce or unsatisfactory. Consequently, governments in countries of origin are constantly challenged to improve work opportunities so as to decrease the need for people to seek work abroad. In the case of the Philippines, the constant growth in the past 40 years of the annual outflow of overseas workers (from 300 000 in 1984 to 1.4 million in 2014) indicates that domestic labour policies are not sufficient to generate alternative solutions for all those seeking better employment, although labour policies cannot be isolated from demographic, economic and social factors.

For many years the failure of Philippine policies to generate full employment was attributed to the uneven growth of the economy, which has been subject to cyclical downturns. From the 1970s to the end of the 20th century, the GDP growth rate went through a sequence of boom and bust cycles. Apart from a decline in 2009, in the last 15 years the growth rate has been more stable, averaging 6.2% between 2010 and 2015. However, this growth has not translated into an adequate decline of unemployment and underemployment, leading observers to speak of economic growth without job creation. This is a major explanatory factor for the continuous outflow of workers seeking employment in foreign labour markets.

This chapter explores these interrelationships between migration and the labour market in the Philippines. It begins with an overview of the country's labour market characteristics, before analysing how various migration channels affect key labour market outcomes, such as the influence of remittances on the work choices of migrant households and individuals. It then analyses the influence of labour market policies and programmes on households' migration decisions. The chapter concludes with policy recommendations based on the findings of the project.

A brief overview of the Philippine labour market

According to the Philippines' quarterly Labour Force Survey (LFS), in January 2016, the country had 67 million people aged 15 years old and above, 63.3% of whom were in the labour force (PSA, 2016). Of those in the labour force, 94.2% were employed and 5.8% unemployed. The employment rate of the population 15 years old and above was 59.6%. Underemployment was estimated at 19.7% and it is a significant aspect of the Philippine labour market as it involves around 7 million people.

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Underemployment cannot be ignored when considering the real dimensions of employment. Although youth unemployment is an important issue, accounting for almost half of total unemployment (ILO, 2015), the real issue is the large number of underemployed and low productivity workers, who constitute perhaps one third of the labour force (Paqueo et al., 2014). Therefore, poverty in the Philippines is not primarily a matter of joblessness, but of lack of opportunities for gainful employment. In this respect, economic growth was indeed accompanied by job creation, but not sufficiently to decrease underemployment in a significant way. Vulnerable employment (people employed as own-account or contributing family workers) decreased by five percentage points between 2008 and 2013, but still remained as high as 38% (ILO, 2015). Real wages declined between 2001 and 2011, explained by the fact that the Philippines can be considered a country with unlimited labour supply and therefore does not force employers to increase wages (Paqueo et al., 2014).

As expected, the labour force participation rate was higher for men (76%) than for women (50%), (PSA, 2016). The distribution of employment by industry showed that 27% were employed in agriculture, 16% in industry and 56% in services (PSA, 2016). This distribution reflects the well-known anomaly of the Philippine labour market, whereby the decrease of population working in agriculture has never been matched by an increase in the industrial sector. This is because manufacturing has never developed to the point of being able to employ a large portion of the population, not even in the years of import substitution. Industry counted for 13.8% of employment in 1974, when the overseas employment programme started (Chapter 2), and increased only slightly 40 years later, while services has increased from 29% to 53%.

Labourers and unskilled workers were the largest major occupation (31.7%), followed by government officials and managers (16.8%), sales workers (13%) and farmers and fishers (11.5%). Data on employment by class of workers are also helpful to understand the labour profile in the Philippines – they indicate that 63.2% were wage workers, of whom 8.6% were employed by the government and 5.7% worked for a private household. Of the non-wage workers, 25.8% were self-employed in their own businesses (but without paid employees), 3.3% were employers in their own family-operated farm or business, and 7.7% were employed without pay in family-operated farms or businesses (PSA, 2016).

The IPPMD survey was conducted in 1 999 households, distributed equally across the Philippines' four provinces (Chapter 3). It collected information on all members of households, for a total sample size of 6 554 individuals aged 15 and above. Amongst the working age group (15-64), the labour force participation rate was 56%, significantly lower than the national rate (Table 4.1). This gap is explained by the different formulation of the question on employment in the two surveys. While the LFS asks whether X worked for at least one hour during the past week, the IPPMD survey simply asked what the current employment

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status of X was. The unemployment rate amongst survey respondents was 9%, higher than the national average, while underemployment cannot be measured through the survey dataset. Consistent with data at the national level, women in the survey had a lower labour force participation rate (41%) than men (66%).

Table 4.1. **The labour market picture in the Philippine IPPMD sample**

	All	Men	Women	Urban	Rural
Labour market characteristics (aged 15-64)					
Number of employed individuals	3 038	1 827	1 211	1 587	1 451
Number of unemployed individuals	1 145	635	510	501	644
Number of individuals	6 027	2 929	3 098	3 065	2 962
Labour force participation rate	56%	69%	43%	57%	55%
Employment rate	50%	62%	39%	52%	49%
Employment status (aged 15-64)	5 987*	2 910	3 077	3 045	2 942
	100%	100%	100%	100%	100%
Self-employed	1 080	639	441	566	514
	18%	22%	14%	19%	17%
Paid employee in public sector	293	154	139	141	152
	5%	5%	5%	5%	5%
Paid employee in private sector	1 665	1 034	631	880	785
	28%	36%	21%	29%	27%
Unemployed	318	185	133	149	169
	5%	6%	4%	5%	6%
Not in paid work and not looking for work	2 620	888	1 732	1 308	1 312
	44%	31%	56%	43%	45%
Other	11	10	1	1	10
	0%	0%	0%	0%	0%

Note: * The number of people for this category may not match the number of individuals in the 15-64 age group due to missing observations

Source: Authors' own work based on IPPMD data.

The household survey revealed some small rural-urban differences in individuals' labour market characteristics. The labour force participation rate is slightly higher in urban areas; unemployment is higher in rural areas; those employed in urban settings are more likely to be in the private sector; and rural areas have a higher percentage of individuals who are not in paid work and not looking for work. Employment in agriculture and fishing is obviously higher in rural settings, while a higher percentage of urban workers are employed as plant and machine operators.

How does migration affect the labour market in the Philippines?

Migration affects the labour market in various ways. The most immediate impact is the loss of people in the labour market. If these people were unemployed before leaving, a significant drop in the labour supply can in theory reduce competition in the labour market, which in turn increases wage levels

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and decreases unemployment. The consequences, however, can vary according to many factors. If the workers come from a skilled sector for which there is little supply in the labour market, their skills can be lost. If the labour market can easily substitute for workers who emigrate there may be little impact (although there is a general loss of work experience). If an emigrant leaves a household comprised of a married couple with young children, this can reduce the time available for formal employment or increase the workload of the remaining adults (if not compensated for by hiring household workers) (Hagen-Zanker et al., 2014). Emigration can also trigger an investment in skills, both to respond to the international labour market as well as to the vacancies left by migrants in the national labour market (however, this can also result in an oversupply of certain skills).

Migrants in general send remittances home to their families; if these are spent on setting up a business, this can generate employment. On the other hand, receiving remittances can increase the household reservation wage,[1] altering the need for household members to be in work. A moral hazard effect of remittances is that household members become remittance-dependent, leave their jobs or do not look for one (Chami, Fullenkamp and Jahjah, 2005). On the other hand, they might use remittances to secure better jobs.

Finally, migrants may return home after a number of years. They might re-enter the labour market as paid employees, either in the same or a different sector; they may or may not use skills acquired abroad; they may decide to be self-employed, either by setting up a business or in a business set up by their household while they were abroad, or by farming land possibly bought on their return; or they might decide to retire if they are nearing retirement age.

The sections which follow attempt to shed light on some of these effects by drawing on the analysis of the IPPMD data.

Emigrants are more likely to come from the more skilled occupations and the health sector

Migration is intuitively considered as a movement that reduces unemployment in the country of origin. However, research has not produced evidence to support this. A review of the literature conducted by Hagen-Zanker (2015) laments the lack of studies in this area. What is mostly unknown or not reported is whether migrants go abroad because they are unemployed or out of paid work or whether they go in search of a better or better paid job. The IPPMD survey sheds some light on this debate. It finds that 11% of those who migrated were unemployed before migration and 22% were not in paid work (Table 4.2), and that migration significantly reduced these percentages for the migrants (down to 0% and 2% respectively). However, at the aggregate level the absorption of about 30% of the annual new hires into paid employment (about 162 000 in 2014) is a significant, but not dramatic reduction of the overall number

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of unemployed at the national level (2.9 million at the time of the survey). Employment abroad was found mostly in the private sector.

Table 4.2. **Emigration boosts employment among Filipino emigrants**
Employment status of emigrants before and after emigration (%)

Employment status	Before leaving			At the destination country		
	All	Men	Women	All	Men	Women
Self-employed	8	11	6	1	1	2
Paid employee in public sector	4	3	5	4	4	4
Paid employee in private sector	54	61	49	88	93	85
Unemployed	11	9	13	0	1	1
Not in paid work and not looking for work	22	16	27	2	8	5

Source: Authors' own work based on the IPPMD data.

In spite of the large labour supply in the Philippines, emigration may lead to a shortage of skills in specific sectors (Mendoza, 2015). The IPPMD research explored this for four key sectors – agriculture, construction, education and health – comparing the number of emigrants who left each sector with the number of workers remaining (Figure 4.1, left-hand chart). The health sector seems to be the most affected by emigration. The emigration of highly skilled workers can also have a direct impact on the labour market. Exploring the patterns of emigration among occupational groups at different skills levels reveals that the Philippines is losing a larger share of skilled workers to emigration than any other skill groups (Figure 4.1, right-hand chart).

Women in particular seem to respond to migration through their job choices. Table 4.3 in Box 4.1 shows the results of a regression analysis exploring the link between occupational skills level and the receipt of remittances. The results show a significant link between households that receive remittances and female members with occupations which require more complex skills levels. Remittances may have provided women with the resources needed to obtain better employment, such as a better education. On the other hand, higher paid jobs may have allowed other members to emigrate.

The occupational skills and educational profile of current migrants do not correspond with the occupations they engage in overseas, however. POEA data suggests that emigrants predominantly hold less skilled occupations in their destination countries. The concern about the de-skilling of overseas Filipino workers has been an enduring and recurrent issue (Asis and Battistella, 2013). Based on an analysis of youth employment and migration, young Filipinos (aged 24 and below) tend to land less-skilled occupations overseas, similar to the general pattern of employment of the overseas Filipino worker population (Asis and Battistella, 2013; Battistella and Liao, 2013). This is a worrying trend because such occupations also tend to be less protected, which is not a good start for young migrants. Moreover, given the narrow possibilities for

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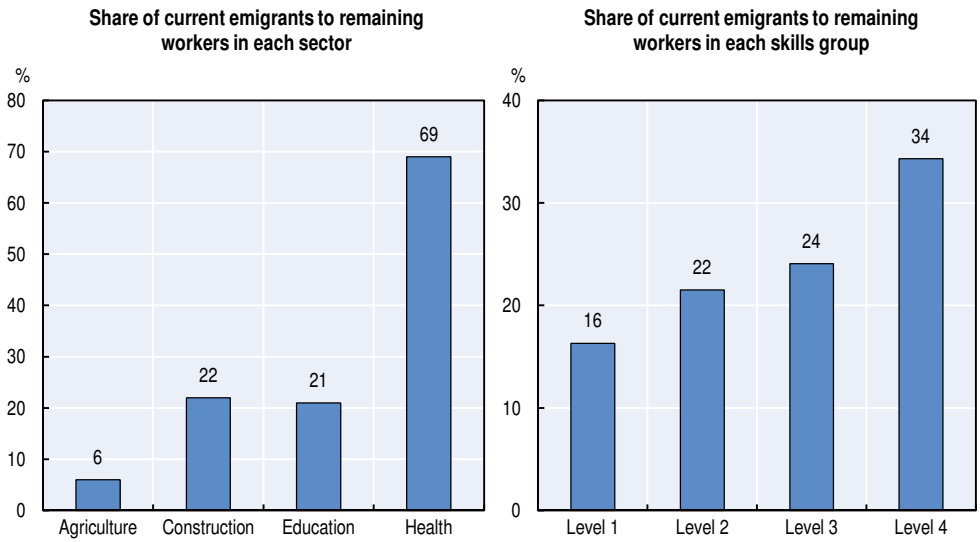
occupational mobility, young Filipino migrants may get stuck in this stable but low-skilled employment (Asis and Battistella, 2013).

Figure 4.1. **The health sector and highly skilled occupations are losing more workers to emigration**



Note: The skills level of occupations has been categorised using the International Standard Classification of Occupations (ISCO) provided by the International Labour Organization (ILO, 2012). Skills level 1: occupations which involve simple and routine physical or manual tasks (includes elementary occupations and some armed forces occupations). Skills level 2: clerical support workers; services and sales workers; skilled agricultural, forestry and fishery workers; craft and related trade workers; plan and machine operators and assemblers. Skills level 3: technicians and associate professionals and hospitality, retail and other services managers. Skills level 4: Other types of managers and professionals.

Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933458270

Emigration and remittances tend to reduce household labour supply

The literature on the impact of migration on the Philippine labour market offers some conflicting conclusions. Many studies have concluded that migration and remittances generate some level of dependence among the members of the households. Rodriguez and Tiongson (2001) found that adults simply rely on money from abroad rather than seeking employment, or can afford to remain unemployed instead of taking up a job that is not sufficiently satisfactory or remunerative. Other studies concluded that remittances do not have an impact on the labour force participation of the household (Ducanes and Abella, 2008). Cabegin (2006) analysed the impact of migration and remittances on the spouse left behind, concluding that there is a decrease in labour force participation. For wives the decisive factor was the need to spend time with children of school age, while for husbands it was receiving

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remittances. The issue remains controversial because it is difficult to account for unobserved characteristics of the people, particularly men, left behind (Hanson, 2007). It is possible that the reasons why they did not migrate may also explain why they are not formally employed. Conflicting results depend also on methodological problems (Orbeta, 2008).

Box 4.1. **The links between migration and skills**

To further analyse how migration is associated with the occupational choices of the remaining household members, an ordered logit model was used in the following form:

$$Prob(skill_level_i) = \beta_0 + \beta_1 remit_{hh} + \gamma_1 controls_i + \gamma_2 controls_{hh} + \delta_r + \varepsilon_i \quad (1)$$

where $skill_level_i$ represents the occupational skills level of an individual i. Following Figure 4.1, occupations are categorised by their ordered skill levels into four levels. $remit_{hh}$ signifies that a household receives remittances. $controls_i$ stands for a set of control variables at the individual level and $controls_{hh}$ for household level controls.[a] δ_r implies regional fixed effects and ε_i is the randomly distributed error term. Table 4.3 shows the coefficients and standard errors for the main variable of interest.

Table 4.3. **Women in households receiving remittances are more likely to have a highly skilled job**

Dependent variable: Share of the employed among household members aged 15-64
Main variables of interest: Household receives remittances
Type of model: Ordered logit
Sample: All households with at least one member working

Dependant variable	Sample: Share of the employed household members among:		
	All	Men	Women
All	0.089 (0.083)	0.003 (0.111)	0.265** (0.128)
Level 1	-0.013 (0.012)	-0.000 (0.017)	-0.031** (0.015)
Level 2	0.002 (0.002)	0.000 (0.007)	-0.008 (0.005)
Level 3	0.005 (0.004)	0.000 (0.005)	0.016** (0.008)
Level 4	0.006 (0.006)	0.000 (0.005)	0.023** (0.011)

Note: Results that are statistically significant are indicated as follows: ***: 99%, **: 95%, *: 90%. Standard errors in parentheses.

a. Control variables include age, sex and education level of individuals and their households' wealth estimated by an indicator (Chapter 3) and whether it is in a rural or urban municipalities or cities.

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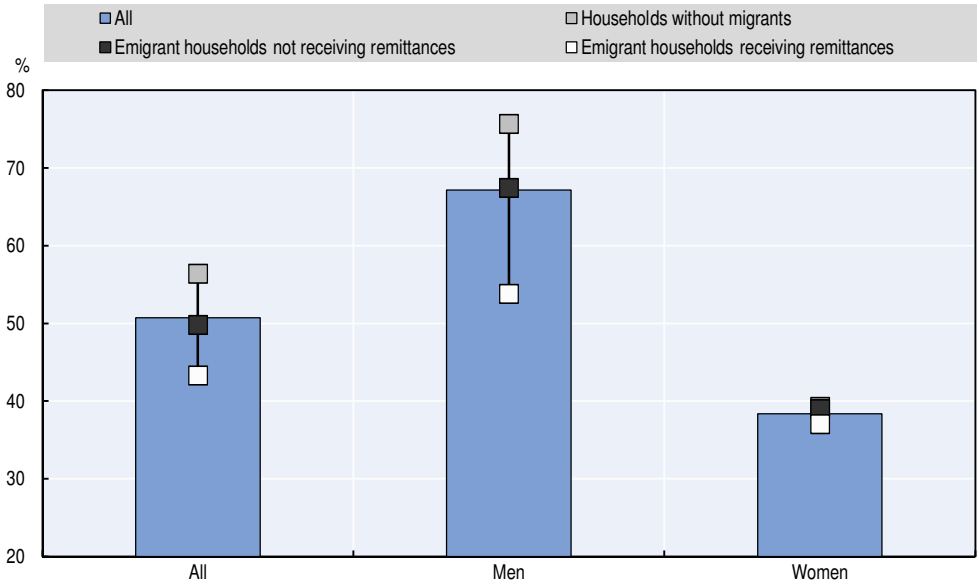
Although it is challenging to isolate individual effects of having a family member who has emigrated and the receipt of remittances, the IPPMD data give some clues on this matter. Figure 4.2 compares the average share of working household members from non-migrant households, emigrant households *not* receiving remittances and those that *are* receiving remittances. The graph shows that remittance-receiving households have the lowest share of working adults. Gender patterns differ, however. While there is not much difference between the employment rate for women in remittance versus non-remittance receiving households, men in emigrant households with remittances are less likely to work than men in the other types of households.

Figure 4.2. **Households receiving remittances have fewer working members**

Share of household members aged 15-64 who are working (%)



Note: The sample excludes households with return migrants only.

Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933458280

Regression analysis was carried out to explore how migration is associated with the remaining household members' labour decisions (Box 4.2). The results suggest that individuals are less likely to be working when their households have at least one emigrant and receive remittances (Table 4.4). The propensity for men not to be working is higher when they belong to a urban household with at least one emigrant. Women are less likely to be working when they receive remittances and live in an urban area, which is consistent with previous studies conducted in Salvador (Acosta, 2006) and Mexico (Hanson, 2007). Remittances

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more easily substitute wages for women than for men in urban settings as women's salaries tend to be lower than men's and there is no longer an incentive to seek paid employment. Individuals living in non-agricultural households appear to be less likely to have a job when the household receives remittances, while emigration of a household member does not seem to have an influence.

Box 4.2. **The links between migration and employment**

To investigate the link between migration and households' labour decisions, the following regression models were used:

$$share_working_{hh} = \beta_0 + \beta_1 emig_{hh} + \beta_2 remit_{hh} + \gamma_1 controls_{hh} + \delta_r + \varepsilon_{hh} \quad (2)$$

$$m_share_working_{hh} = \beta_0 + \beta_1 emig_{hh} + \beta_2 remit_{hh} + \gamma_1 controls_{hh} + \delta_r + \varepsilon_{hh} \quad (3)$$

$$f_share_working_{hh} = \beta_0 + \beta_1 emig_{hh} + \beta_2 remit_{hh} + \gamma_1 controls_{hh} + \delta_r + \varepsilon_{hh} \quad (4)$$

where $share_working_{hh}$ signifies households' labour supply, measured as the share of household members aged 15-64 who are working. $m_share_working_{hh}$ is the share of male household members that are working among men and $f_share_working_{hh}$ for female household members. $emig_{hh}$ represents a variable with the value of 1 where a household has at least one emigrant, and $remit_{hh}$ denotes a household that receives remittances. $controls_{hh}$ stands for a set of control variables at the household level.[a] δ_r implies regional fixed effects and ε_i is the randomly distributed error term. The models were run for two different groups of households depending on their location (rural or urban). The coefficients of variables of interest are shown in Table 4.4.

Table 4.4. **Remittances and migration seem to reduce labour market participation**

Dependent variable: Share of the employed among household members aged 15-64
Main variables of interest: Having an emigrant /receiving remittances
Type of model: OLS
Sample: All households with at least one member working

Variables of interest	Share of the employed household members among:					
	All		Men		Women	
	rural	urban	rural	urban	rural	urban
Household has at least one emigrant	-0.036	-0.093***	-0.063	-0.178***	-0.051	0.018
	(0.036)	(0.036)	(0.053)	(0.045)	(0.048)	(0.051)
Household receives remittances	-0.088***	-0.066**	-0.110**	-0.029	-0.023	-0.105**
	(0.035)	(0.034)	(0.050)	(0.041)	(0.048)	(0.050)
Number of observations	942	948	832	835	901	907

Note: Results that are statistically significant are indicated as follows: ***: 99%, **: 95%, *: 90%. Standard errors in parentheses.

a. Control variables include the household's size and its squared value, the dependency ratio (number of children 0-15 and elderly 65+ divided by the total of other members), the male-to-female adult ratio, family members' mean education level, its wealth estimated by an indicator (Chapter 3) and its squared value.

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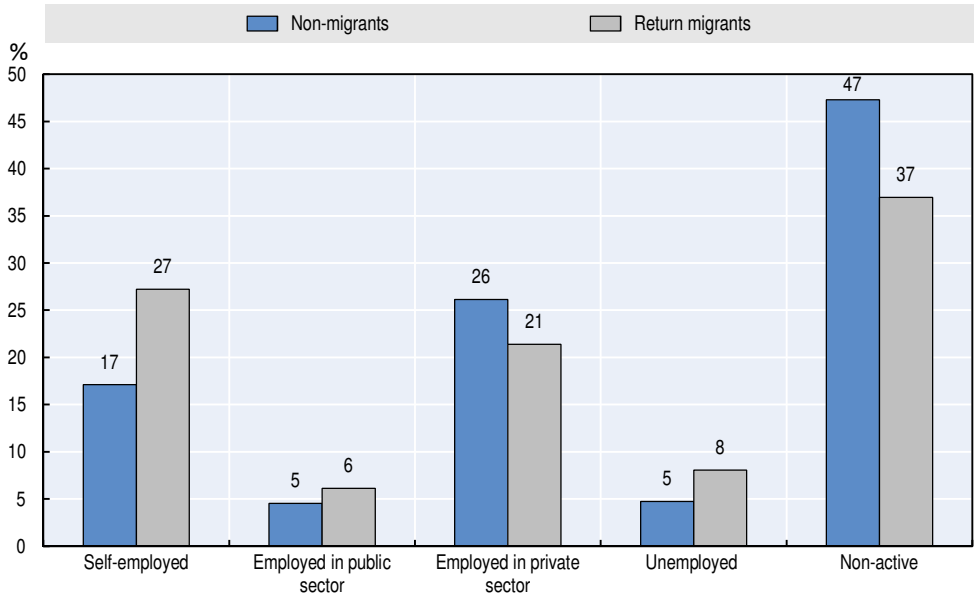
Many return migrants turn to self-employment

The literature on return migration to the Philippines is rather scarce, largely because the topic poses conceptual and empirical difficulties. At the conceptual level, it is difficult to determine when a migrant, in a highly circulatory system such as that which characterises Philippines, has definitely returned. The empirical difficulty rises from the lack of administrative data to measure return. The IPPMD study constitutes one of the first attempts to measure return migration in the Philippines.

Return migrants tend to come home with greater financial and human capital than when they left. Savings accumulated abroad can be used as a resource for working on their own account. Growing evidence from the literature suggests that return migrants tend to be self-employed or establish their own businesses (De Vreyer, Gubert and Robilliard., 2010; Ammassari, 2004). Figure 4.3 compares the employment status of non-migrants and return migrants for the Philippines. While the share of non-active individuals is considerably lower among return migrants than non-migrants, return migrants are more likely to be unemployed. Looking at the employed population, return migrants are significantly more likely to be self-employed than non-migrants.

Figure 4.3. **Return migrants are more likely to be self-employed than non-migrants**

Employment status among adult non-migrants and return migrants (%)



Note: The difference between non-migrants and return migrants are statistically significant (using a chi-squared test). Non-active individuals are not working and not looking for work.

Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933458291

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It may be that return migrants were already self-employed prior to emigrating or that they chose migration as a strategy to set up a business or to become self-employed. Figure 4.4 compares the employment status of return migrants before emigration and after their return. This shows a significant increase in self-employment and this is the case for both men and women. Overall, only 13% of the returnees were self-employed before leaving, while 27% were after they returned. The change in employment status for women is noticeable, in particular the increased share of non-active women after return. The data indicate that many women return to a domestic occupation after achieving the objective of the migration project.

Figure 4.4. **Return migrants are more likely to be self-employed than when they left**

Employment status among return migrants before leaving and after return (%)

Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933458305

How do labour market policies affect migration in the Philippines?

The previous section has investigated how migration affects the labour market. On the other hand, Philippines' labour market policies also affect migration, directly or indirectly. Policies to improve the domestic labour market may reduce the incentive to migrate. Such policies can seek to enhance labour market efficiency through government employment agencies, improve the skills set of the labour supply through vocational training, and expand labour demand

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by increasing public employment programmes. To date, the impact of these labour market policies on migration in the Philippines remains unexplored in the research. The IPPMD survey attempted to disentangle the link between these policies and the decision to emigrate and the reintegration of return migrants into the labour market (Box 4.3).

Box 4.3. **Labour market policies and programmes covered in the IPPMD project**

The IPPMD household survey asked household members whether they had benefited from any of the labour market policies and programmes listed in Figure 4.5 in the five years prior to the survey. It asked people employed in the public and private sectors how they found their jobs, with government employment agencies being one of the options. The survey also asked the labour force if they had participated in any vocational training programmes, and if so what type of training they received. They were also asked about participation in public employment programmes.

The community survey collected information on the existence of vocational training centres and job centres. It also asked if certain types of training programmes had been held in the communities and whether they had offered public employment programmes.

Figure 4.5. **Labour market policies explored in the Filipino surveys**

Government employment agencies	Vocational training	Public employment programme	Programmes included in the community survey
• How did you find your job?	• Have you participated in any vocational training programmes in the past five years? What kind of vocational training programme?	• Have you participated in public employment programmes in the past five years?	• Vocational training centres • Job centres • Public employment programmes

Note: The IPPMD survey in other countries also asked if individuals received unemployment benefits but this question was not included in the Filipino survey as the Philippines had no unemployment benefits at the time of the survey.

The primary institution responsible for employment in the Philippines is the Department of Labor and Employment (DOLE). The Bureau of Local Employment (BLE), formerly Bureau of Employment Services (BES), was created by the 1974 Labor Code and operates as part of DOLE. The Philippine Labor and Employment Plan (PLEP) 2011-2016 emphasised decent and productive work and set the goal of creating 1 million jobs every year (DOLE, 2011). The target has been reached, but the quality of new jobs is not always satisfactory, as the

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target includes temporary workers (9% in 2014) and self-employed and unpaid family workers. To facilitate the matching of jobs and skills, DOLE has created the Philippine Job Network (PHIL-JobNet), an online portal containing labour market information.

While the government has the main responsibility for policies, it is the private sector that has the greatest potential for job creation. Unfortunately, however, private investment in the Philippines is below expectations (Bocchi, 2008). This was also acknowledged by *the Philippine Development Plan 2011-2016* (NEDA, 2011), which observed that the investment-to-GDP ratio had fallen to 15% in 2010. Labour unions also play an important role;[2] however, their main focus on minimum wages has been criticised as protecting their constituents who already hold a job rather than promoting job creation. In fact the legal minimum wage in the Philippines is among the highest in Asia and is ultimately considered not beneficial for workers, particularly for those with low human capital, such as "the young, the inexperienced, the less educated and the women" (Paqueo et al., 2014).

Keeping these observations in mind, the rest of the chapter will limit itself to examining the most relevant labour employment and vocational training programmes enacted by the Philippine government and their utilisation by the migrant and non-migrant households in the IPPMD.

Government employment agencies can curb emigration

If people can find jobs in the local labour market through government employment agencies, they may choose to stay rather than move abroad to seek work. A comparative study of the ten IPPMD partner countries suggests that the share of people who have no plans to emigrate is higher for those who found jobs through government employment agencies than those who did not (OECD, 2017).

Government employment agencies aim to improve the functioning of the labour market by providing information on the economy and local labour market, including employment opportunities. The Public Employment Service Office (PESO) was established in 1999. It helped some 5.6 million Filipinos to find a job between 2010 and 2015, according to the Department of Labor and Employment. PESO offices organise job fairs and livelihood and self-employment bazaars among others. As of December 2014, PESO had 1 925 offices, although only 390 were provided with the necessary personnel and funds to operate on a regular basis. To remedy this, an amendment signed by President Aquino in 2015 mandated that the office be institutionalised in all provinces, cities and municipalities. Establishments are required to submit to local government units the number and type of jobs in demand; this information will be submitted to PESO for job matching and to educational institutions for career guidance. The law has expanded the functions of PESO to provide not only employment facilitation services, but also labour market trends and information, training and other capacity-building initiatives.

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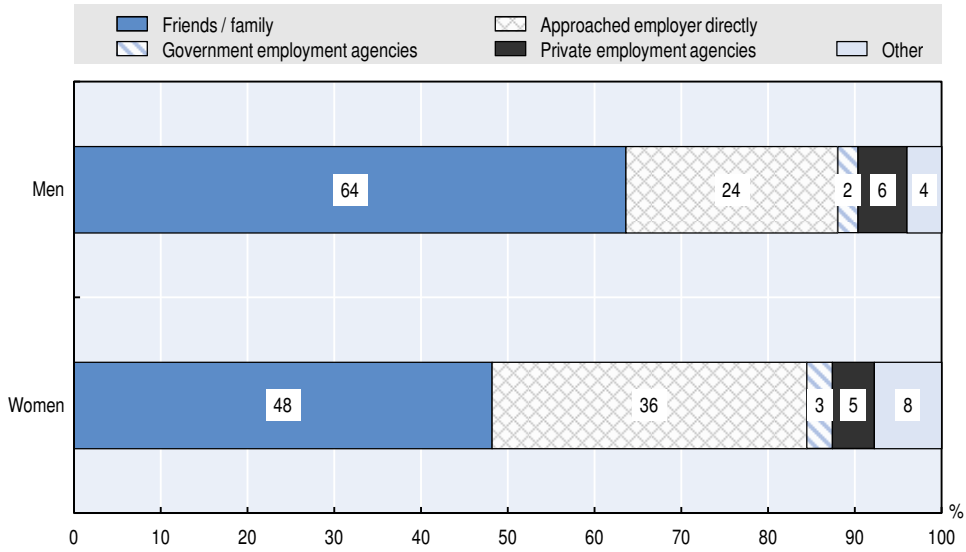
To what extent did people in the IPPMD Philippine survey benefit from government employment agencies? The survey asked how people found their jobs. The results indicate that very few (2.6%) used the services of government agencies. The vast majority (87%) obtained employment through friends and relatives and by approaching the employer directly. Interestingly, there is a clear difference between men and women in job-seeking strategies. Men prefer to go through family and friends (64% versus 48%) while women prefer to approach the employer directly (36% versus 24%) (Figure 4.6). Private employment agencies were used by 5% of all individuals. This percentage increases to 7% for individuals in households with a return migrant, and to 9% for males in return migrant households.

Figure 4.6. **Government agencies play a minor role in job seeking among Filipino IPPMD respondents**

Methods for finding a current job in both public and private sectors



Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933458310

While the share of people who benefited from government employment agencies is low, there are certain patterns related to migration: 86% of the beneficiaries of government employment agencies have no plans to emigrate, which is lower than the share among non-beneficiaries (79%).[3] Individual characteristics matter, of course. Beneficiaries are more likely than non-beneficiaries to have higher education levels and to hold jobs in the public sector, which are seen as secure occupations.

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Vocational training programmes spur emigration in the Philippines

DOLE 2020 Vision, Jobs Fit is a government programme to identify the skills needed by the emerging industries in the regions and to reduce the job-skills mismatch. The project identified 12 key employment generators. The 2013 revision ascertained that in the Philippine labour market there were 273 hard-to-fill positions. The DOLE report was used by the Technical Education and Skills Development Authority (TESDA) to refine its Technical and Vocational Education and Training (TVET) programmes. In addition to TVET provided within the school system, vocational education is also offered at regional and provincial TESDA centres, through community-based training programmes organised in co-operation with local government units, and by the private sector through enterprise-based training.

According to data from TESDA, 4 609 institutions together offered 20 329 programmes as of July 2015. The top three sectors are tourism, ICT and health, social and other community development, which are also the fastest growing sectors of the Philippine economy (Orbeta and Esguerra 2016). In 2012, TVET courses were taken mostly by high school graduates (50%), as well as also by college students; 7% were high school undergraduates. The two main reasons for taking TVET courses were to gain employment (45%) and to improve skills (38%).

The Philippine Qualification Framework was developed in 2012 and certifies eight different skill levels. It includes a qualification and certification system which ensures that students have acquired the necessary competencies. Some challenges still remain for the vocational programmes, such as the scarcity of centres for community-based programmes, the uneven quality of education in the different regions, the low absorption of vocational students by the labour market and the low prestige attached to vocational studies (UNESCO-UNEVOC, 2014).

The IPPMD survey found that about 5% of the labour force had participated in a vocational training programme in the past five years. The rate of participation is similar for men and women; and in rural and urban areas. The most common training programmes among the IPPMD respondents were mechanic-related programmes (29%), followed by computer and IT (13%) and electricity and plumbing (12%).

Vocational training programmes affect migration in several ways. While they might help people secure better jobs in the domestic labour market, they can also be a means to make would-be migrants more employable overseas. The latter seems to be the case for the Philippines. Regression analysis explored how participating in vocational training programmes is related to plans to emigrate (Box 4.4). It suggests that people in the Philippines are more likely to have plans to emigrate when they receive vocational training. The relevance of the training programmes to the domestic labour market may play a role here. If training

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does not lead to the right job or a higher income, it may increase the incentive to withdraw from the domestic labour market and search for jobs abroad. It is also possible that people are participating in vocational training programmes in order to find jobs abroad.

Box 4.4. **The links between vocational training programmes and plans to emigrate**

To investigate the link between participation in vocational training programmes and having plans to emigrate, the following probit model was used:

$$Prob(plan_mig_i) = \beta_0 + \beta_1 voc_training_i + \gamma_1 controls_i + \gamma_2 controls_{hh} + \delta_r + \varepsilon_i \quad (5)$$

where $plan_mig_i$ represents whether individual i has a plan to emigrate in the future. It is a binary variable and takes a value of 1 if the person is planning to leave the country. $voc_training_i$ is the variable of interest and represents a binary variable indicating if the household has at least one member who participated in a vocational training programme in the five years prior to the survey. $controls_i$ stands for a set of control variables at the individual level and $controls_{hh}$ for household level controls.[a] δ_r implies regional fixed effects and ε_i is the randomly distributed error term. The model has been tested for two different groups of households depending on their location (urban or rural). The coefficients of variables of interest are shown in Table 4.5.

Table 4.5. **People who attended vocational training programmes are likely to plan to emigrate**

Dependent variable: Individual has a plan to emigrate
Main variables of interest: Individual participated in a vocational training programme
Type of model: Probit
Sample: Labour force in working age (15-64)

Variables of interest	Sample				
	All	Men	Women	Rural	Urban
Individual participated in a vocational training programme	0.112*** (0.028)	0.013*** (0.036)	0.080* (0.044)	0.084* (0.044)	0.129*** (0.036)
Household has at least one emigrant	0.035** (0.016)	0.028 (0.021)	0.033 (0.025)	-0.011 (0.024)	0.072*** (0.021)
Individual is unemployed	0.155*** (0.022)	0.113*** (0.028)	0.200*** (0.034)	0.175*** (0.030)	0.131*** (0.031)
Number of observations	2 905	1 747	1 158	1 386	1 519

Note: Results that are statistically significant are indicated as follows: ***: 99%, **: 95%, *: 90%. Standard errors in parentheses.

a. Control variables include age, sex, education level of individuals and whether the individual is unemployed or not. At the household level, the household's size and its squared value, the dependency ratio, its wealth indicator and its squared value are controlled. Whether the household has an emigrant or not is also controlled.

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Public employment programmes are too small scale to have an impact

The Community-based Employment Program (CBEP) is the overall umbrella of government initiatives to provide short-term employment to disadvantaged people. It consists of three components: infrastructure jobs, non-infrastructure jobs (such as livelihood programmes) and emergency employment projects. Between 2011 and 2014, 8.6 million disadvantaged people benefited from the various programmes. Of them, 3.5 million jobs were created by infrastructure projects and 5 million by non-infrastructure projects, according to the Secretary of Labour. Among the CBEP, it is worth mentioning the Special Program for Employment of Students (SPES), mandated under Republic Act No. 9547, which aims at helping poor but deserving students through employment during summer and other holiday periods. From 2010 to 2013, 493 742 students, 42.5% of them women, took advantage of the programme. In spite of these numbers, researchers have observed that CBEP only has a transitory impact on the labour market, since the programmes are designed more to address social issues than providing a net employment impact (Ballesteros and Israel, 2014).

The take-up ratio of public employment programmes (PEPs) among the IPPMD surveyed households in the Philippines is low, at 1%. This poses challenges for exploring the relationship between PEPs and migration. In theory, PEPs can either increase or decrease the incentives to migrate depending on households' response to the additional income received through such programmes. Programmes which improve local employment opportunities may reduce the incentives to migrate as the opportunity cost of migration increases. In rural areas in particular, public works programmes to support agricultural workers during the farming off-season can provide an alternative to seasonal migration. On the other hand, the increased income received may encourage migration. Overall, the impact of PEPs on migration is likely to depend on their duration, coverage and income level.

Conclusions and policy recommendations

Despite the Philippines' robust growth between 2010 and 2015, the country has not been able to create sufficient high quality jobs leading many people to look for employment abroad. The government has put in place a variety of initiatives to foster job creation, but these do not seem to have had a strong impact on the culturally embedded propensity of Filipinos to migrate (Chapter 2).

The IPPMD research confirms that it is the more highly skilled occupational groups that lose the most labour to emigration, especially the health sector. In addition, migration can be a de-skilling experience for Filipinos – particularly for women, who tend to only find employment abroad in occupations for which they are over qualified. Within the Philippines, emigration and remittances

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tend to curb households' activity in the labour market although women tend to use remittances to upskill, and self-employment is a common phenomenon among return migrants.

The investigation into the influence of labour market policies on migration decisions finds that government employment agencies are hardly used by job seekers. On the other hand, vocational training programmes seem to encourage people to emigrate and are possibly used by people to find jobs abroad. It may also be the case that the training programmes do not match the needs of the domestic labour market.

While policies are needed to address the potential negative effects of migration and to amplify its positive effects on the labour market, labour market policies should also incorporate migration into their design. Here are some policy recommendations deriving from the findings in this chapter:

- To stem the loss of the highly skilled, better skills matching mechanisms are needed as well as ensuring the creation of quality jobs.
- Vocational training programmes can be better targeted to match demand with supply by mapping the shortages in the domestic labour market, especially at the local government level, and strengthening co-ordination mechanisms with the private sector. They can also aim to foster the reintegration of return migrants into the labour market.
- The government could consider expanding the coverage of the Public Employment Service Office's (PESO) portal to include more domestic jobs. Strengthening the PESO's technological capacity will allow it to reach more people in the provinces and local communities, as well as emigrants abroad and return migrants at home.
- Building closer connections between the employment agencies and the private sector will be important.

Notes

1. The reservation wage means the lowest wage rate people would be willing to accept.
2. The trade union density in the Philippines is considered rather low (Danish Trade Union Council for International Development Cooperation, 2014).
3. The difference is not statistically significant (using a chi-squared test).

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Chapter 5

Migration and agriculture in the Philippines

Agriculture contributes only about 10% of the Philippines' economy, which is diversifying rapidly. Nevertheless, rural and agricultural poverty is deepening and it has become common for rural residents to move within the Philippines but also internationally to the Gulf or other Asian countries to seek work. The Philippine government views agriculture as an important component of its development strategy. This chapter explores data gathered from the IPPMD survey of 593 farming households across the country to understand how migration is affecting the sector and how agricultural policies influence people's migration decisions. The findings have policy relevance in terms of the role of emigration and return migration in diversifying the rural economy, and the role of agricultural programmes such as subsidies and agricultural land title certificates in contributing to emigration.

As in many countries, economic and social development in the Philippines has been accompanied by a move away from rural areas, and thus from agricultural activities. While in many cases this movement tends to be internal, international migration is also frequent, driven by deepening rural and agricultural poverty (IOM and SMC, 2013). It has become common for rural residents from the Philippines, including those from agricultural households, to work in the Gulf countries or countries in Asia where there is strong labour demand. This emigration can alter the agricultural activities of their households, and the sector as a whole.

There are several components to this change. The departure of a member decreases household labour availability, which may in turn change the roles and types of activities the household engages in. If several individuals leave from the same community, the aggregate effect can reduce the overall production of the community. However, emigrants often remit part of their earnings, which can ease households' financial constraints and encourage productive investment. The income sent home by emigrants represents a vital life source for rural regions that often lack financial capital. At the aggregate level, investments in the agricultural sector can have positive spillovers which benefit the sector as a whole. Finally, emigrants may return with new ideas, key contacts, and financial capital which they put to productive use, providing a general boost to the sector. Despite the growing links between migration and the agricultural sector, migration has generally not been factored into rural development policy in the Philippines (Gregorio and Opiniano, 2011).

This chapter investigates these dynamics, drawing on analysis of the IPPMD survey. It is divided into four parts. The first part provides a contextual overview of the Philippines' agricultural sector and the data collected through the IPPMD project in 2014. The second part discusses the impact that migration may have on the agricultural sector through three dimensions: emigration, remittances and return. The third part discusses the influence of agricultural policies on migration decisions, such as whether to leave, remit or return. The chapter concludes by summarising the policy recommendations.

A brief overview of the agricultural sector in the Philippines

The Philippines has not been a primarily agricultural economy for at least 50 years. Since the 1970s, agriculture's share of value added in gross domestic product (GDP) has not exceeded 30% (World Bank, 2016) and its share has consistently decreased over the past four decades. In 2015 it represented only

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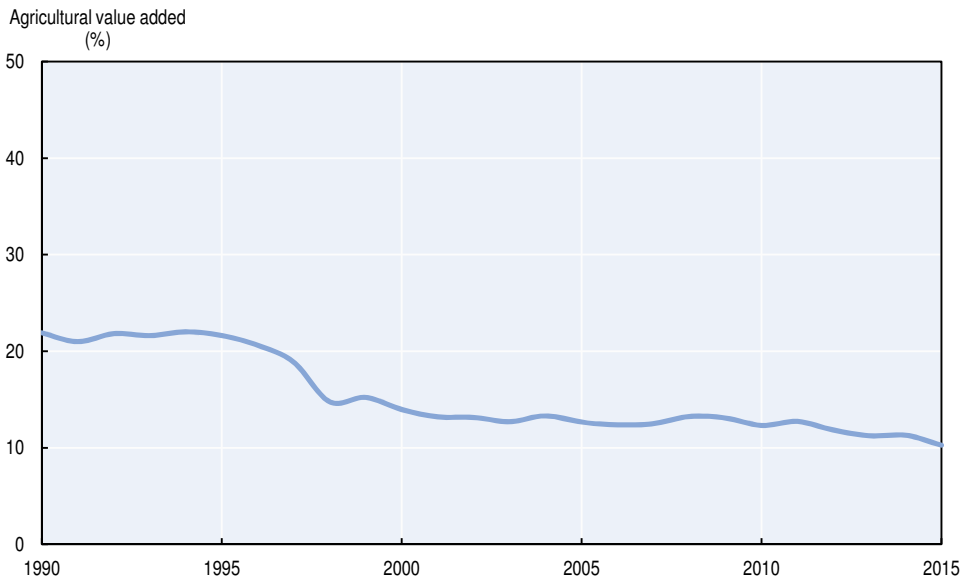
10% (Figure 5.1). Moreover, an agricultural production per capita index measured at 100 in 2004-06 had only increased to 104 by 2013 (FAO, 2016a), the third lowest amongst IPPMD partner countries. Nevertheless and although agriculture's role in the economy has waned, the sheer size of its agricultural population has ensured that the total value of its agricultural production in 2013 is substantial. It was estimated at constant 2004-06 USD 17.4 billion (FAO, 2016b), the highest by a wide margin of all the IPPMD partner countries, and 26th in the world.

Figure 5.1. **The weight of agriculture in the Philippines' economy continues to fall**

Valued added in agriculture (% of GDP), 1990-2015



Source: World Bank (2016), *World Development Indicators* (database), *http://data.worldbank.org/indicator/NV.AGR.TOTL.ZS*.

StatLink *http://dx.doi.org/10.1787/888933458321*

While the importance of agriculture has fallen as a share of the country's GDP, it continues to play an important role. In 2013, 31% of the population were working in the agricultural sector (FAO, 2016c), although this was the third lowest figure amongst IPPMD partner countries and much lower than the share of the population living in rural areas (56%, United Nations, 2014). The failure to pursue structural reforms and fix shortcomings in infrastructure has contributed to a relatively sluggish agricultural sector and chronic development imbalances between rural and urban areas (Malaluan and Dacio, 2001; IOM and SMC, 2013). Moreover, the country's irrigation system is poor and not improving (PIDS, 2014). Despite these shortcomings, the Philippines has been commended for having successfully achieved the Millennium Development Goal target of reducing the proportion of undernourished people by at least 50% by the end of 2015 (FAO, 2016d), in large part due to growth in agricultural productivity (FAO, 2015).

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The IPPMD survey included a specific module on household agricultural activity.[1] The module was divided into three strands: i) activities related to arable farming; ii) those related to animal husbandry; and iii) specific agricultural policies from which households may have benefited. Any household declaring an involvement in arable farming or livestock rearing was considered to be an agricultural household – the questions on agricultural policies were only put to these households.[2]

Less than one-third of the households in the sample were involved in some type of agricultural activity at the time of the interview (only 593 of the 1 999 households interviewed; Table 5.1).

Table 5.1. **The majority of the households surveyed were not agricultural**

Type of agricultural activity	Number of households	Share of households (%)	Total share (%)
Non-agricultural households	1 406	70	100
Agricultural households	593	30	
Amongst agricultural households:			
Arable farming only	115	19	
Livestock rearing only	372	63	100
Arable farming and livestock rearing	106	18	

Farming households have a similar number of members on average as non-farming households (4.8 vs. 4.7). However, they have a lower dependency ratio (0.73 vs. 0.77), meaning they contain relatively fewer children and elderly people. In addition, such households have a higher adult male-to-female ratio (1.04 vs. 0.95) and fewer heads of households that are women (27% vs. 33%).

In terms of geographical location, 65% of agricultural households are in rural areas, while only 39% of rural households are involved in agriculture. This means that a significant part of agriculture takes place in areas deemed "urban", and that there is also a wide variety of non-farming activities undertaken in rural areas.

How does migration affect agriculture in the Philippines?

The global literature offers two main views on how migration affects the agricultural sector. The first paints a negative picture, highlighting the loss of labour and the potential for that loss to affect food security and economic growth in rural areas. The second highlights the positive effect garnered from remittances and return migration (FAO and IFAD, 2008). The two views are not mutually exclusive and can be summarised as follows:

- Emigration decreases labour availability within the household and potentially in the wider community. For example, households in central Mali consider the loss of a young man's agricultural contribution to be greater than any gain

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from remittances (McDowell and de Haan, 1997). The departure of the most productive workers may even lead to labour shortages (Tacoli, 2002) and food insecurity in certain communities (Skeldon, 2009; Cotula and Toulmin, 2004; Cissé and Daum, 2010; Tsiko, 2009).

- Migration can be a source of investment and innovation for the sector through remittances and social and financial capital brought home by return migrants. These can be invested in productive assets such as machinery, barns, fencing, feeding mechanisms, irrigation systems and tractors (Mendola, 2008; Tsegai, 2004). The productive investment of remittances can also help households move from labour-intensive to capital-intensive activities (Lucas, 1987; Miluka et al., 2007; Taylor and Wouterse, 2008; Gonzalez-Velosa, 2011), or into specialisation (Böhme, 2015; Gonzalez-Velosa, 2011). Remittances also permit agricultural households to resist and insure against hardships (Lucas and Stark, 1985). At the same time, migration can also be the catalyst for a move out of the sector as remittances and the various forms of capital repatriated by return migrants can be used to invest in activities outside of the agricultural sector (Miluka et al., 2007).

This section explores these issues in the Philippines, drawing on the empirical analysis of the IPPMD dataset.

Households with emigrants draw on more external labour for agricultural activities

How does migration affect labour in the agricultural sector? Agriculture relies heavily on manual labour – as such, the departure of workers can potentially alter households' activities as well as the sector as a whole. The departure of a household member may cause remaining family members to adjust their labour patterns. In general (not just in agricultural households), it increases the probability that those remaining behind will have to work, unless remittances are received – in which case this probability decreases (see Chapter 4). There are two ways agricultural households can fill the labour gap – they may either put more household members to work in their fields, or they may have to hire in workers. In terms of farming labour, 129 of the 187 (69%) arable farming households that provided an answer to the question had at least one household member working on the land during the last harvest season;[3] only 20% of households had more than one household member working in agriculture. About half (49%) of the households hired in external farming labour – on average 5.2 per household.

What do the IPPMD data tell us about the effect of emigration on household labour in the Philippines? If emigrant households are replacing emigrants with other household members to work in household farming activities, the average number of such members per household should not differ from that of households without emigrant members. According to the data, households

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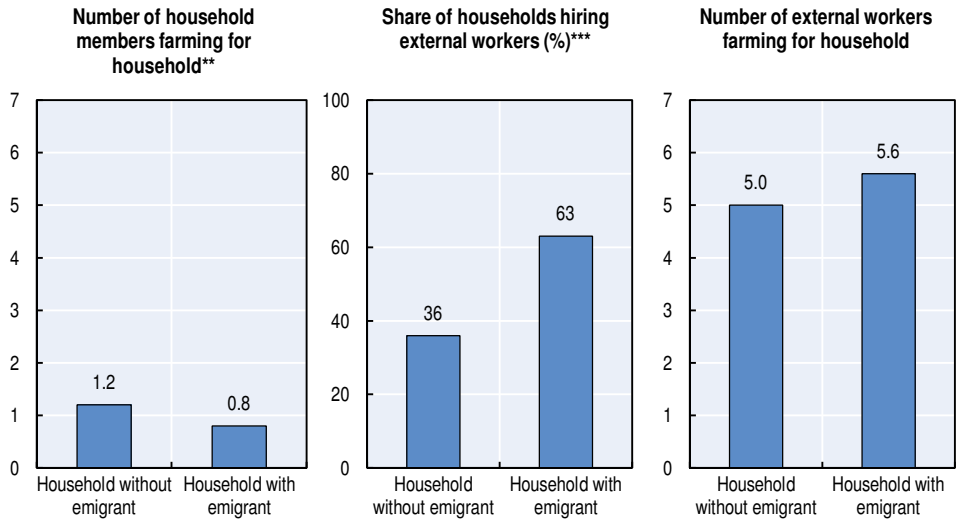
with emigrants have fewer household members working on the farm than non-migrant households (0.8 vs. 1.2), suggesting that emigrants are not necessarily replaced when they leave. However, the survey also suggests that households with emigrants are more likely to hire in external labour (63% vs. 36%) and in greater numbers (5.6 vs. 5.0 per household) than households without (Figure 5.2).

Figure 5.2. **Households with emigrants have fewer family workers, and are more likely to hire in labour**

Use of labour in agricultural activities by emigrant and non-emigrant households



Note: Statistical significance calculated using a t-test (1st and 3rd figure) and a chi-squared test (middle figure) is indicated as follows: ***: 99%, **: 95%, *: 90%.

Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933458331

Many other factors influence the number of farm workers per household, including the number of household members. Regression analysis was therefore used to probe these patterns further (Box 5.1). To help isolate the effects of emigration and remittances (which may also affect labour behaviour within the household), the first model excluded remittance-receiving households. The results (Table 5.2) suggest that there is no statistically significant link between emigration and the number of household or external workers, or the probability of hiring in labour. However, as it is difficult to isolate the effect of emigration from that of receiving remittances, a second model includes remittance-receiving households and also controls for the fact that a household may receive remittances (Table 5.2).

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Box 5.1. **The links between emigration and labour in agricultural households**

To estimate the probability that an agricultural household draws on more household or external labour, the following ordinary least squares (OLS) regression model is estimated:

$$\text{number_workers}_{hh} = \beta_0 + \beta_1 emig_{hh} + \gamma\, controls_{hh} + \delta_r + \varepsilon_{hh} \quad (1)$$

where the unit of observation is the household *hh* and the dependent continuous variable *number_workers* in equation (1) represents the number of people working in the field, $emig_{hh}$ represents the whether the household has a former member that has emigrated or not. $control_{hh}$ stands for a set of household-level regressors[a] while δ_r represents regional-level fixed effects. Standard errors, ε_{hh}, are robust to heteroskedasticity.

In addition, the following probit model is estimated:

$$\text{Prob(hire_external)}_{hh} = \beta_0 + \beta_1 emig_{hh} + \gamma\, controls_{hh} + \delta_r + \varepsilon_{hh} \quad (2)$$

where Prob(hire_external) takes on a value of 1 if the household has hired at least one external worker and 0 otherwise. The other variables are defined as in equation (1).

Table 5.2. **Emigration has little impact, but remittance-receiving households hire in fewer workers**

Dependent variable: Agricultural labour working for the household
Main variables of interest: Household has an emigrant
Type of model: Probit/OLS
Sample: Agricultural households

Variables of interest	Dependent variables		
	(1) Number of household members working (equation 1)	(2) Household hired external labour (equation 2)	(3) Number of external workers hired by household[1] (equation 1)
All agricultural households, excluding remittance-receiving ones			
Household has an emigrant	-0.010	n/a	3.923
	(0.492)	n/a	(2.843)
Number of observations	83	n/a	30
All agricultural households, including remittance-receiving ones			
Household has an emigrant	-0.553	0.141	3.843
	(0.531)	(0.129)	(2.506)
Household receives remittances	0.521	0.048	-3.757**
	(0.544)	(0.132)	(1.705)
Number of observations	187	189	87

Note: 1) This regression model is estimated only for those households that hired at least one external worker. Coefficients from probit model estimations reflect marginal effects. Statistical significance is indicated as follows: ***: 99%, **: 95%, *: 90%. N/a indicates that the sample was too small to adequately analyse.

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Box 5.1. **The links between emigration and labour in agricultural households** *(cont.)*

Results are presented in Table 5.2. Column (1) presents results on the number of household members working in agricultural activities for the household, column (2) presents results on whether the household hired external labour to work for their agricultural activities, while column (3) presents results on the number of external workers hired by the household. Results are also divided into two sections. The top rows present results based on a sample excluding non-migrant households receiving remittances, while the bottom rows present results based on a sample including remittance-receiving migrant households and show coefficient results related to both emigration and remittances.

a. Control variables for all regression model estimations presented in this chapter include the household's size, its dependency ratio (number of children 0-15 and elderly 65+ divided by the total of other members), the male-to-female adult ratio, its wealth estimated by an indicator (Chapter 3), whether it is in a rural or urban region and a fixed effect for its geographic region. In regression models related to policies, the regional fixed effect is omitted due to smaller sample sizes.

The results suggest that emigrant households are more likely to hire external workers and in larger numbers than households without emigrants, but that these links are not statistically significant. However, they also suggest that households receiving remittances hire *fewer* external workers than households not receiving remittances (Table 5.2, column 3). This shows that while emigration may have little effect on how households deal with labour, remittances can reduce the need to hire more labour, perhaps because they allow the household to live on lower agricultural outputs or because remittances are used in other productive ways, perhaps more efficiently, thus reducing the need for labour. The ways in which remittances can help households finance assets and activities are the focus of the next section.

Agricultural households do not seem to invest remittances in agriculture

Many households receive money and goods from friends and family living in other countries; according to Chapter 2 the amount represented 10% of GDP in 2015. As agricultural households are mostly located in rural areas with poor credit and labour markets (Geron and Casuga, 2012), remittances may be especially important to these households. Although banking facilities are lacking in rural areas, there are other money transfer operators (e.g. pawnshops) in these areas (Remo, 2012; Agcaoili, 2016). An inherent issue, however, is that the cost of transferring remittances to rural areas remains high in the Philippines.

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As argued earlier, remittances may provide the financial means to invest in agricultural assets or new activities. The lack of diversification by agricultural households, beyond rice production, has been identified as a weakness in the agricultural sector in the Philippines (Briones and Galang, 2013). They might also be used to finance entrepreneurial non-farm activities that require capital, such as a retail business or transport services (FAO and IFAD, 2008). This would be consistent with the gradual move away from agricultural dependence occurring in many countries, especially the Philippines. This has been the case in Albania, for instance, where remittances have been negatively associated with both labour and non-labour inputs in agriculture (Miluka et al., 2007).

Table 5.3 provides an overview of the project findings on remittances. Agricultural households are more likely to receive remittances than non-agricultural households. The difference is statistically significant for remittances originating from any source (49% vs. 43%), as well as for remittances from former household members only (41% vs. 37%), although the latter relationship is weaker. Almost all emigrant households (96%) receive remittances – a rate that is similar for both agricultural and non-agricultural households, and consistent with previous research findings (Asis, 2015).[4]

Table 5.3. **Agricultural households are more likely to receive remittances than non-agricultural households**

Household type	Households that receive international remittances from any source	Households that receive international remittances from a former member	Rate of remittance receipt (amongst emigrant households)
Agricultural household	293** (49% of agricultural households)	241* (41% of agricultural households)	241 (96% of emigrant agricultural households)
Non-agricultural household	610 (43% of non-agricultural households)	514 (37% of non-agricultural households)	514 (96% of emigrant non-agricultural households)

Note: Differences between agricultural and non-agricultural households are calculated based on a chi-squared test. Significance tests are indicated as follows: ***: 99%, **: 95%, *: 90%.

Source: Authors' own work based on IPPMD data.

What do these households use their remittances for? The IPPMD survey asked how much the household spends on average on agricultural productive assets (such as farming equipment) in a six-month period; only 20 agricultural households claimed to make such expenditures. Looking more closely at these 20 households, those receiving remittances were only slightly more likely to have made such expenditures (4% vs. 3% in Figure 5.3).[5] However, they spent more on average than those not receiving remittances (PHP 2 518 (Philippine Pesos) vs. PHP 1 436) (Figure 5.3).[6]

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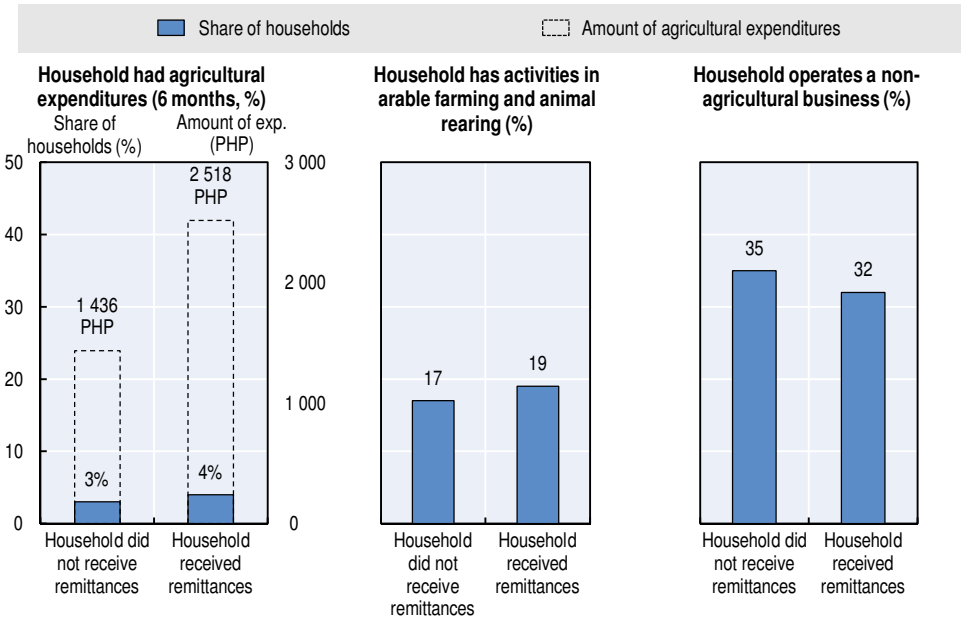
Households that receive remittances may also choose to spend their additional income on either specialising or diversifying their farming activity or on financing a non-farm business. Looking across all agricultural households, however, the data suggest little difference between remittance and non-remittance households in diversification (19% vs. 17%). They also suggest that households receiving remittances are slightly less likely to own a non-agricultural business than those not receiving remittances (32% vs. 35%) (Figure 5.3).

Figure 5.3. **Surveyed households did not invest remittances in agriculture**
Household expenditures and business ownership, by whether household receives remittances



Note: Statistical significance calculated using a chi-squared test is indicated as follows: ***: 99%, **: 95%, *: 90%.
Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933458348

Regression analysis explored these links more closely (Box 5.2). It investigated the links between remittances and: i) whether the household typically makes agricultural asset expenditures; ii) the amounts spent in a six-month period; iii) whether the household has activities in both arable farming and animal rearing; and iv) whether the household operates a non-agricultural business. The results largely confirm the patterns suggested above. There was no link between a household receiving remittances and investing in agricultural assets (Table 5.4). However, amongst the households that did receive remittances from former members, the amount of remittances received seemed to be negatively related to whether they invested or not (Table 5.4, column 1). There is no statistically significant link between the amount of remittances received by a household and

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any other agricultural outcome, including whether the household has activities in both arable farming and livestock rearing. So what do remittance-receiving households do specifically if they do not have activities in both arable farming and animal rearing? Descriptive statistics suggest that they specialise in arable farming. Remittance-receiving households were statistically significantly more likely to have arable farming activities than households not receiving remittances (26% vs. 13%), whereas the reverse was true for animal rearing (56% vs. 70%).

The regression analysis also explored the probability of owning a non-agricultural business. Across all agricultural households, the results suggest that there is a negative link between remittances and ownership of a non-agricultural business (Table 5.4, column 4). This backs up the descriptive statistics shown in Figure 5.3. There was also a negative link with the amount of remittances sent and owning a non-agricultural business. Overall, remittances seem to have little positive effect on investments in or out of the agricultural sector.

Box 5.2. **The links between remittances and investing in farming**

To estimate the probability that an agricultural household has invested remittances in an asset or activity, the following regression models are estimated:

$$\text{Prob}(\text{agri_outcome}_{hh}) = \beta_0 + \beta_1 remit_{hh} + \gamma controls_{hh} + \delta_r + \varepsilon_{hh} \quad (3)$$

where the unit of observation is the household *hh* and the dependent binary variable *agri_exp* in equation (3) represents the probability that the household engaged in a particular agricultural outcome (e.g. making expenditures or having a specific activity) and takes on a value of 1 if the household did so and 0 otherwise, $remit_{hh}$ represents the fact that the household received remittances in the past 12 months, $control_{hh}$ stands for a set of household-level regressors while δ_r represents regional-level fixed effects. Standard errors, ε_{hh}, are robust to heteroskedasticity.

A second OLS model is also estimated:

$$\text{Ln}(\text{agri_exp}_{hh}) = \beta_0 + \beta_1 remit_{hh} + \gamma controls_{hh} + \delta_r + \varepsilon_{hh} \quad (4)$$

where *agri_exp* represents the logged amount of the agricultural expenditures that were spent. All other variables are as defined in equation (3).

Table 5.4 presents the regression results. Column (1) presents results on whether the household typically makes agricultural asset expenditures, column (2) on the amount spent on agricultural assets in a six-month period, column (3) on whether the household has activities in both farming and animal rearing and column (4) on whether the household operates a non-agricultural business. The table also presents results for two variables of interest. The top rows present results related to the fact that the household received remittances in the past 12 months, whereas the bottom rows present results related to the logged amount of remittances received by former members of the household in the past 12 months, limiting the sample to those that received remittances only.

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Box 5.2. **The links between remittances and investing in farming** *(cont.)*

Table 5.4. **Remittances have little effect on investments**

Dependent variable: Investment outcomes
Main variables of interest: Household received remittances/amount of remittances received by household
Type of model: Probit/OLS
Sample: Agricultural households

Variables of interest	Dependent variables			
	(1) Household has made agricultural asset expenditures (equation 3)	(2) Logged amount spent on agricultural assets in a six-month period (equation 4)	(3) Household has activities in both farming and animal rearing (equation 3)	(4) Household operates a non-agricultural business (equation 3)
Household received remittances in the past 12 months	0.003	-0.493	0.003	-0.125***
	(0.011)	(0.481)	(0.033)	(0.043)
Number of observations	583	20	593	593
Logged amount of remittances sent from former household members	-0.028**	-0.090	-0.018	-0.062**
	(0.013)	(0.442)	(0.020)	(0.025)
Number of observations	228	10	232	232

Note: Statistical significance is indicated as follows: ***: 99%, **: 95%, *: 90%. Coefficients from probit model estimations reflect marginal effects. Standard errors are in parentheses and robust to heteroskedasticity.

Agricultural households with return migrants channel their migration capital into non-agricultural investments

Return migration can also affect the agricultural sector in many of the same ways as remittances, since the migrants may return with savings, their own labour, new skills and contacts (financial, human and social capital). The share of households with return migrants is higher amongst farming households than amongst non-farming households. Of the 335 households with return migrants, 107 were from farming households (18% of all farming households) while 228 were from non-farming households (16% of all non-farming households), although the difference is not statistically significant. Looking specifically only at migrant households (those with current emigrants or return migrants), the difference in rate between farming and non-farming households is similar (35% vs. 33%).

Looking at the same outcomes as for remittances, but this time for return migrant farming households, results suggest that households with return migrants are less likely to invest, and invest less,[7] in agricultural assets (Figure 5.4). Return migration made no difference to whether the household operated either arable farming or animal husbandry (18% each). However, just as for remittances, return migrant households were particularly more involved in arable farming (32% vs. 17%) than in animal rearing (50% vs. 65%), compared to households without return migrants.

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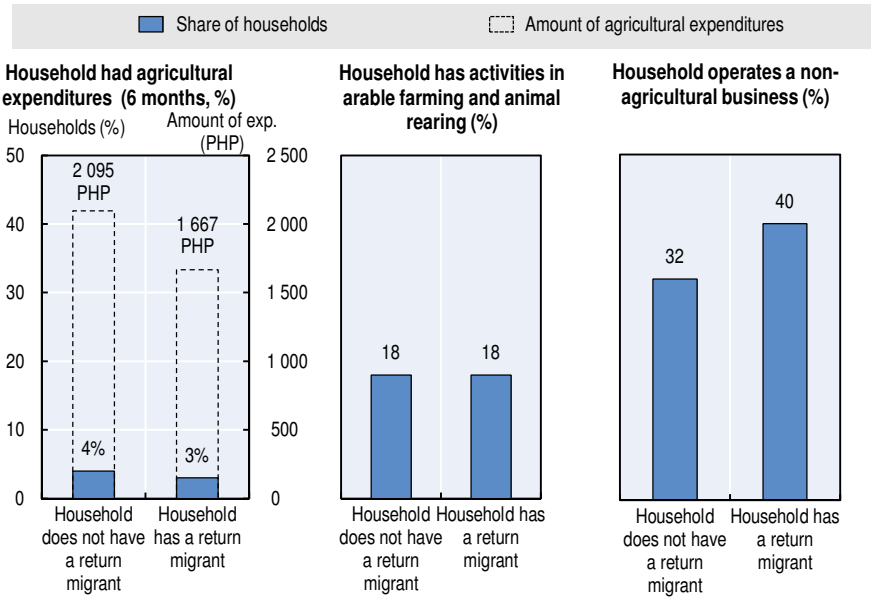
Households with return migrants were also more likely to be operating a non-agricultural business than those without a return migrant (40% vs. 32%). This may be because return migrants bring home novel ideas for activities not currently being exploited in the country (Wahba, 2015). It may be a sign that return migration is a catalyst for a country's transition from a primarily agrarian to a more diversified economy.

Figure 5.4. **Agricultural households with return migrants are more likely to own a non-agricultural business**

Household asset expenditures and business ownership, by whether household has a return migrant



Note: Statistical significance calculated using a chi-squared test is indicated as follows: ***: 99%, **: 95%, *: 90%. Using the exchange rate as of 1 July 2014, the equivalent totals in the first panel of Figure 5.4 are USD 48 vs. 38.

Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933458355

A similar regression analysis as the one described in Box 5.2 was used to explore whether return migrant households invest in agriculture. The probability of receiving remittances is replaced in equation (3) with the probability of having a return migrant in the household. The results found no relationship between having a return migrant in a household and making an agricultural expenditure, the amount spent, running both arable farming and animal husbandry activities or running a non-agricultural business (Table 5.5). Although the descriptive statistics suggest that return migrant households are more likely to have a non-agricultural business, when adding household-level controls such as the

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household's wealth, the relationship disappears. It seems that having a non-agricultural business is related to household wealth: richer households are more likely to have non-agricultural businesses, which is not surprising given the often high entry costs involved.

Table 5.5. **Return migration has no influence on agriculture**

Dependent variable: Investment outcomes
Main variables of interest: Household has a return migrant
Type of model: Probit/OLS
Sample: Agricultural households

Variables of interest	Dependent variables			
	(1) Household has made agricultural expenditures (equation 3)	(2) Logged amount spent on agricultural asset expenditures (equation 4)	(3) Household has activities in both farming and animal rearing (equation 3)	(4) Household operates a non-agricultural business (equation 3)
Household has a return migrant	-0.007	0.341	-0.032	0.033
	(0.012)	(0.513)	(0.038)	(0.054)
Number of observations	583	20	593	593

Note: Statistical significance is indicated as follows: ***: 99%, **: 95%, *: 90%. Coefficients from probit model estimations reflect marginal effects. Standard errors are in parentheses and robust to heteroskedasticity.

Source: Authors' own work based on IPPMD data.

The analysis therefore finds migration to have little impact on the agricultural sector in the Philippines. Many of the descriptive findings do not hold up to more robust regression analysis, although this is partly due to the small sample size of agricultural households. Households with emigrants draw on less household labour, but tend to be more likely to hire external labour and more of it. However, those that receive remittances tend to hire fewer external farm labourers. This fact is likely not related to a move to more efficient means of production requiring less labour, as remittances are generally not used for agricultural expenditures. There is some evidence, although not robust to regression analysis, that agricultural households with return migrants tend to own non-agricultural businesses, perhaps opening the way for economic diversification.

How do agricultural policies affect migration?

In addition to the impact of migration on the sector, public policies in the agricultural sector (Box 5.3) are also likely to have an impact on migration outcomes, such the decision to emigrate, remit, return to and stay in the country. This dynamic is investigated in this section. Despite its decreasing share in the country's GDP, the Philippine government still views agriculture as an important component of its development strategy. The *Philippine Development Plan 2011-2016* contains a dedicated chapter – "Competitive & Sustainable Agriculture

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& Fisheries Sector" – which highlights the following five challenges for the country (NEDA, 2011):

1. growth in production and productivity faces formidable constraints
2. inefficient supply chain and logistics systems
3. inadequate provision of irrigation infrastructure
4. low rate of adoption of technologies, including mechanisation
5. limited access to formal credit and financing.

Box 5.3. **Agricultural policies and programmes in the Philippines covered in the IPPMD project**

The IPPMD household survey asked households whether they had benefited from certain agricultural policies and programmes in the five years prior to the survey. Agricultural policies include subsidies or free services, agricultural training programmes and insurance mechanisms such as crop insurance and contract farming (listed in Figure 5.5). In addition, the community survey collected information on whether the communities have farmers' cooperatives. It also asked if certain types of subsidies and training programmes were implemented in the communities.

Figure 5.5. **Agricultural policies explored in the IPPMD surveys**

Subsidy-type programmes	Training programmes	Insurance-based programmes	Programmes included in the community survey

• Subsidies:
  • seeds
  • other types of inputs
  • hiring labour
• Animal dispersal
	• Agricultural training
	• Other types of extension programmes
		• Contract farming
		• Crop insurance coverage
		• Certificate of land title
		• Aid for crop loss
			• Farmers' cooperatives
			• Subsidies
			• Training programmes

In addition to these challenges, it is noteworthy that globally the Philippines is one of the countries most exposed to and affected by tropical storms (Kreft et al., 2015). In addition stakeholders mentioned corruption and the difficulty in ensuring that aid reaches farmers rather than intermediaries as a challenge.

A major policy tool for agricultural workers in the Philippines is the Republic Act Number 7607, also known as the *Magna Carta of Small Farmers*, signed into law in 1992. Through this act, several farmers have been supported through infrastructure, commodity price stability, training, financing and subsidies

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(Aquino, Lim and Ani, 2013). In particular, policies enacted since this act have aimed at price stabilisation, typhoon and drought relief, subsidies (livestock, feed, fertiliser, other inputs) and crop insurance schemes (Quiland, 2011). However, interviews conducted for this project revealed that the implementation of these policies in the country has been inadequate. Since 2014, the World Bank and the Department of Agriculture have also spearheaded the six-year Philippine Rural Development Project, which aims to "establish a modern, value chain-oriented, and climate-resilient agriculture and fisheries sector" (PRDP, n.d.). The project works closely with national and local government units throughout the country.

The current agriculture strategy targets more efficient value chains, integrated domestic and international markets, inclusive growth and poverty reduction. Specific objectives are set for food security, rural incomes, resilience to climate change and better governance in the sector. To support these objectives and tackle the challenges, the government has put in place several agricultural programmes aimed at agri-business, cooperatives and households (Box 5.3).

It is not always clear whether the types of agricultural policies listed in Box 5.3 have a net positive or negative effect on migration flows. By increasing the household's income flow, **agricultural subsidies** reduce financial constraints. In doing so, they may reduce the household's need to seek income elsewhere, and thus reduce emigration pressure. On the other hand, they may provide enough additional income to cover the costs of emigration. Or they may provide the incentive for households to invest and channel funds towards agricultural activities, thus increasing the need for remittances, or they may make them less necessary, thereby reducing their flow. Similarly, they may provide the incentive for emigrants to return and – more importantly – to stay.

Agricultural training can provide the skills needed to increase efficiency and improve yields, thereby reducing the need to emigrate. On the other hand, by making workers more efficient and perhaps more employable, training may actually make workers more attractive to employers in other countries. Remittances can complement new skills, by providing the income necessary to invest in mechanisation for instance. Similarly, the availability of training could provide emigrants with an incentive to return if they feel the training would lead to better yields, and can increase their probability of staying in the home country. But on the other hand, if training makes workers more employable elsewhere they may be less likely to return.

Insurance and risk reduction are at the core of emigration. Individuals often emigrate in search of more stable income or to overcome a shock. Exposure to risk, through a lack of land or land title for instance, can push households to search for alternatives such as migration. Without land, for example, rural workers in poor agricultural economies may see few alternatives other than migration. Reducing that risk should decrease the need to emigrate. However, on some occasions, it may increase it for risk-taking individuals, who see the

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reduced risk as an opportunity to exploit. Risk is also a main determinant for sending remittances, helping households smooth consumption and survive financial stress. Mechanisms which reduce risk – such as crop insurance protection and government contract farming programmes which guarantee incomes even when harvests are poor – may therefore also reduce the need to send remittances. On the other hand, measures which reduce risk may also make investments more secure and thus increase the flow of remittances. Similarly, reduced risk may provide the incentive to return, especially if the reason to emigrate in the first place was to avoid risk. It may also increase the potential to stay once the individual has returned.

The IPPMD project explored these dynamics for the Philippines. The survey collected data on which households had benefitted from the types of policies described above, and households were asked to state each year in which they had benefited between 2010 and 2014 (Table 5.6). In addition to these programmes, the project collected information on households with land title certificates, as well as those benefiting from direct aid following crop loss.

Table 5.6. **Subsidies are the most common programme to benefit farming households**

Type of policy programme	Number of benefiting households	% of agricultural households
Any type of agricultural programme	34	6
Subsidies	33	6
of which for seeds	*26*	*4*
Training-related	11	2
Insurance-related	2	>1
Financial aid following crop loss	7	3 (of arable farming households)
Household has certificate of agricultural land title	134	82 (of arable farming households)
Household is a member of an agricultural cooperative	15	3

Few households benefit from agricultural programmes

Overall, only 34 of the 593 (6%) agricultural households benefited from agricultural programmes between 2010 and 2014 – mostly agricultural subsidies (Table 5.6).[8] Subsidies in the Philippines are mostly aimed at high quality seeds and for small-scale farmers. Few households benefited from other programmes, including agricultural training and aid following crop loss (concerning 2% of farming households and 3% of arable farming households respectively). Due to the small sample size, further analysis is not conducted.

The survey also found that 134 arable farming households (82%) held the titles to their land and 15 households (3%) were members of agricultural cooperatives.

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In order to determine whether such policies affected migration-related decisions, a methodology was developed using regression analysis, explained in Box 5.4. The results are discussed in the sections which follow.

Box 5.4. **The links between agricultural policies and migration**

To estimate the probability that an agricultural policy (or its absence) affected a migration-related outcome, the following probit regression model was estimated:

$$\Pr(mig_outcome_{hh} = 1) = \beta_0 + \beta_1 agri_subsidy_{hh} + \gamma controls_{hh} + \varepsilon_{hh} \quad (5)$$

where the unit of observation is the household hh and the dependent binary variable $mig_outcome_{hh}$) takes on a value of 1 if the household has had a migration-related outcome take place and 0 otherwise. $agri_subsidy_{hh}$ represents a dummy variable taking the value of 1 if the household benefited from a certain agricultural policy. $control_{hh}$ stands for a set of household-level regressors.[a] Standard errors, ε_{hh}, are robust to heteroskedasticity.

Results for four outcomes are presented in Table 5.7. Column (1) shows results reflecting the probability that the household had a member planning to emigrate, column (2) a binary variable equal to 1 if the household has had at least one emigrated member in the past five years, column (3) a binary variable equal to 1 if the household has received remittances from any source in the past 12 months, column, and (4) a binary variable equal to 1 if the household has a member return from an emigration episode within the past five years (including households with either returned or currently emigrated members).

Table 5.7. **The link between subsidies and emigration is significant**

Dependent variable: Migration outcomes
Main variables of interest: Household benefited from a policy
Type of model: Probit
Sample: Agricultural households

Variables of interest	Dependent variables			
	(1) Household has a member planning to emigrate	(2) Household has a member leave within five years	(3) Household received remittances in the past 12 months	(4) Household has had a member return in the past five years (amongst migrant households)
Benefited from an agricultural subsidy in the past five years	0.019 (0.089)	-0.145** (0.062)	-0.143 (0.088)	0.106 (0.156)
Benefited from an agricultural subsidy for seeds in the past five years	0.102 (0.098)	-0.116 (0.074)	-0.133 (0.101)	n/a
Number of observations	593	461	593	309

Note: Statistical significance is indicated as follows: ***: 99%, **: 95%, *: 90%. Standard errors are in parentheses and robust to heteroskedasticity. Results denoted "n/a" refer to small sample sizes too small to adequately analyse.

a. Because of the small sample size in this section, a regional-level fixed effect is not included in the regression model.

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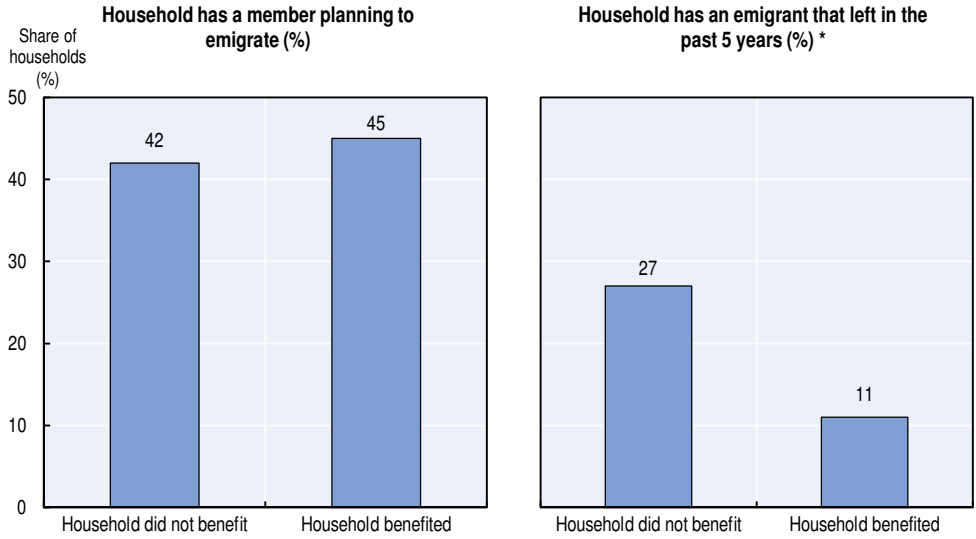
Agricultural subsidies seem to decrease the probability that a household has an emigrant

The results show that households that have received agricultural subsidies tend to be less likely to have had a member emigrate in the past five years (Table 5.7, row 1). Overall, the descriptive statistics show that households benefiting from subsidies represent 11% of agricultural households with an emigrant that left within five years, while the share amongst households not benefiting is 27% (Figure 5.6). This lends support to the notion that agricultural subsidies help households overcome the financial issues that lead to emigration, and therefore appear to curb emigration. In contrast, however, agricultural subsidies did not seem to have an influence on whether households have a member planning to emigrate. Looking more specifically at subsidies provided for seeds yielded no statistically significant effect for any migration outcome (Table 5.7), but this may be due to the small sample size (26 beneficiaries).

Figure 5.6. **Households benefiting from agricultural subsidies are less likely to have an emigrant**



Note: Statistical significance calculated using a chi-squared test is indicated as follows: ***: 99%, **: 95%, *: 90%.
Source: Authors' own work based on IPPMD data.

StatLink *http://dx.doi.org/10.1787/888933458369*

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The fact that only 11 surveyed households benefited from agricultural training makes robust regression analysis difficult. Bearing this in mind, a comparison between households that did and did not benefit from training shows that seven benefiting households had a member planning to emigrate and were more likely percentagewise to have a member plan to emigrate (64% vs. 42%), but that only three benefiting households had a current emigrant and were less likely percentagewise to have a current emigrant (27% vs. 42%). Therefore, there does not seem to be a clear relationship between migration and agricultural training, with the caveat that the sample size may be too small to show a more robust relationship.

Households with land title certificates were more likely to have a member planning to emigrate

What other farming-related policies might have a bearing on migration decisions? By ensuring that land rights are clear and enforced, having a land title certificate can play a role in migration intentions. For example, in many developing countries, access to land is often contingent on its use. Research suggests that delinking land rights from land use can increase emigration, as household members do not have to use the land productively in order to retain ownership. They are free to leave it fallow or rent it out without risking losing it. In Mexico, for example, households that had obtained certificates through the Mexican land certification programme, rolled out from 1993 to 2006, were found to be 28% more likely to have a migrant member (de Janvry et al., 2014). Secure land title might also be a source of financial collateral to finance emigration. On the other hand, it might ensure financial and food security for the household and avoid the need to emigrate.

The IPPMD survey identified that 134 of 164 land-owning households surveyed (82%) possessed land title certificates. Regression analysis presented in Table 5.8 shows that arable farming households with the titles for their agricultural land were more likely to have members planning to emigrate, corresponding with the descriptive statistics (53% vs. 33%). This suggests that these households may plan to use their land to borrow money to finance emigration. However, and in contrast to this finding, households with land titles were less likely to have a current emigrant (56% vs. 67%). This is perhaps because households feel that either their titles are not well enough enforced to risk leaving it fallow or renting out, or that the returns to farming the land themselves are higher than the returns to emigration.

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Table 5.8. **Households with land title certificates are more likely to have a member planning to emigrate**

Results from regression estimations on land titling and cooperative membership

Dependent variable: Migration outcomes
Main variables of interest: Household acquired land through reform/household has the land title for their land
Type of model: Probit
Sample: Agricultural households

Variables of interest	Dependent variables			
	(1) Household has a member planning to emigrate	(2) Household has had a member emigrate	(3) Household received remittances in the past 12 months	(4) Household has had a member return in the past five years (amongst migrant households)
Household has the land title for their land	0.184* (0.105)	-0.190** (0.095)	-0.126 (0.085)	-0.054 (0.131)
Number of observations	155	155	155	109
Household is a member of an agricultural cooperative	0.068 (0.132)	-0.171 (0.105)	-0.118 (0.117)	n/a
Number of observations	593	593	593	n/a

Note: Statistical significance is indicated as follows: ***: 99%, **: 95%, *: 90%. Coefficients from probit model estimations reflect marginal effects. Standard errors are in parentheses and robust to heteroskedasticity. Results denoted "n/a" refer to small sample sizes too small to adequately analyse.

Conclusions and policy recommendations

The weight of agriculture in the Philippine economy is about 10%, in line with some of the richer countries of the world. It has waned steadily over the last 30 years, as the Philippine economy has diversified. Despite its relatively small role – reflected in the smaller sample of agricultural households in the survey – this chapter has found that migration does appear to have a minor impact on the sector. The IPPMD data point to evidence that households receiving remittances tend to be less likely to hire in external labour, although this does not seem to be because remittances and return migration are channelled towards productive agricultural use. It may, however, be explained by the fact the remittance-receiving households (as well as those with returnees) are more likely to be engaged in arable farming than animal rearing, perhaps growing high-end cash crops. In addition, there is some evidence, although not robust, that return migration is helping households diversify and possibly transition out of agriculture: households with return migrants were more likely to run non-agricultural businesses.

On the other hand, those few households in the IPPMD sample benefiting from agricultural subsidies and land title certificates are less likely to have a current emigrant. Agricultural subsidies, by relieving financial constraints on the household, seem to reduce the need to emigrate and find new sources of income. Moreover, households with land title certificates are more likely to have members planning to emigrate, although actual emigration rarely materialises.

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The danger of the type of transition occurring in the Philippines – from an agricultural to a more diversified economy – is that food security is no longer tied to the rural economy, and is instead heavily dependent on the country's value chains and ability to import commodities. This was evident during the 2008 global rice crisis, where the price of rice, a staple food in the Philippines, increased to the point of becoming unaffordable for many households. Stakeholder interviews highlighted the fact that the agricultural sector is seen as one of subsistence living rather than one of business and investment opportunity. The main challenge for the Philippine government is therefore to make the agricultural sector more attractive to investors and to move from a standpoint where food security is not only about purchasing power but also about investment and production.

The Philippines' migration strategy should also integrate these dynamics so that migration can be a force for greater resilience in the agricultural sector; similarly, agricultural policies need to be crafted to ensure they influence people's migration decisions in a productive direction. Such steps will help to ensure that current farming households remain interested and invested in the agricultural sector and new one are drawn in. In tandem, policy makers should address rural and agricultural infrastructure, such as irrigation and farm-to-market roads, to make the sector more attractive for investment and employment. At present more productive and higher paying jobs are to be found elsewhere, and return migrants may be returning to urban areas instead of their rural households.

The recommendations deriving from the findings in this chapter are as follows:

- Adequate labour market institutions, such as job search centres, training programmes and contract enforcement mechanisms should be put in place in rural areas to ensure that agricultural households can easily replace labour lost to emigration, and to facilitate and accelerate the task of hiring labour in times of peak demand. Farming households in areas of high emigration should also be targeted with agricultural technical support (e.g. for the use of new resistant crops, fertiliser, irrigation techniques) to help deal with the loss of labour, as well as a possible channel for investing remittances.
- More should be done to channel remittances and return migration towards investment in the agricultural sector, such as improving basic infrastructure, training households on new techniques and investment skills and creating incentive programmes. Policy makers should help households and return migrants use their remittances to diversify their activities – both within and outside the sector – through incentives and training.
- Agricultural aid programmes, such as subsidies, should be provided ex-post, conditional on output and investment in the country. This will help to ensure that they continue to deter emigration as well as encourage more investment in the sector.

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Notes

1. Chapter 3 provides details on the various modules of the questionnaire.
2. This chapter focuses on households, unlike Chapter 4, which analyses data for individuals.
3. Questions related to farm labour were only asked to arable farming households.
4. Asis (2015) notes that 90% of Philippine households with current emigrants receive remittances.
5. This corresponded to 9 and 11 households, respectively.
6. Using the exchange rate as at 1 July 2014, the equivalent totals are USD 58 vs. USD 33.
7. Using the exchange rate as at 1 July 2014, the equivalent totals are USD 48 vs. USD 38.
8. Because of the small sample size in this section, a regional-level fixed effect is not included in the regression model.

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Chapter 6

Migration and education in the Philippines

Education plays a crucial role in development and growth. Migration and remittances have the potential to help improve educational outcomes and build future human capital stocks, but they also raise concerns about "brain drain", as well as the impact on children left behind. This chapter investigates the interlinkages between education and migration in the Philippines, focusing on the impact of migration on educational expenditures and school attendance rates, the role of educational attainment in emigration decisions, and whether emigration and return migration are likely to affect human capital. It also explores whether and how education programmes such as school meals, conditional cash transfers and scholarships affect migration decisions. The findings have policy relevance in terms of matching education to the demands of the labour market, and meeting the increased demand for educational services in both the public and private sectors.

Emigration has become an important engine for development in the Philippines. Migration and remittances have the potential to play an important role in improving educational outcomes and future human capital stocks, but also raise concerns about "brain drain" and "brain waste" as many of the Philippines' emigrants are highly educated but to take up unskilled jobs abroad.

Education and human capital generally play a critical role in driving economic growth in both advanced and emerging economies. The Philippines has a young population, which is expected to rise in number in the coming decades. However, youth unemployment is high. The youth bulge and large emigrant population have implications for the educational system and raise questions about how to best adapt education policy to meet future needs.

This chapter investigates the relationship between migration and education in the Philippines. Migration and education are closely linked through several channels. Emigration and return migration can change the skills composition in both countries of origin and destination. Migration and remittances can also influence school enrolment rates and educational investments. At the same time, educational policies and programmes may influence migration decisions and remittance patterns.

The chapter begins with an overview of the education sector in the Philippines, before investigating the role of education in migration decisions and migrants' education acquisition abroad. It then presents the analysis of the impact of migration on educational expenditures and school attendance. The chapter also assesses the role of existing education policies on migration patterns. It concludes by drawing some conclusions for policy.

A brief overview of education in the Philippines

Until 2013, the educational system in the Philippines was organised into six years of elementary education, four years of secondary education, and higher education. Basic education – which consists of elementary (primary) and secondary education (high school) – is compulsory. Moreover, public basic education is free. The Enhanced Basic Education Act of 2013 is the most recent reform to the country's educational system. It instituted the K to 12 programme, which makes kindergarten compulsory at five years old and adds two years of senior high school. These additional two years of high school bring the Philippines in line with the international standards of 12 years of basic education, i.e. six years of elementary and six years of high school. The first cohort of Filipino

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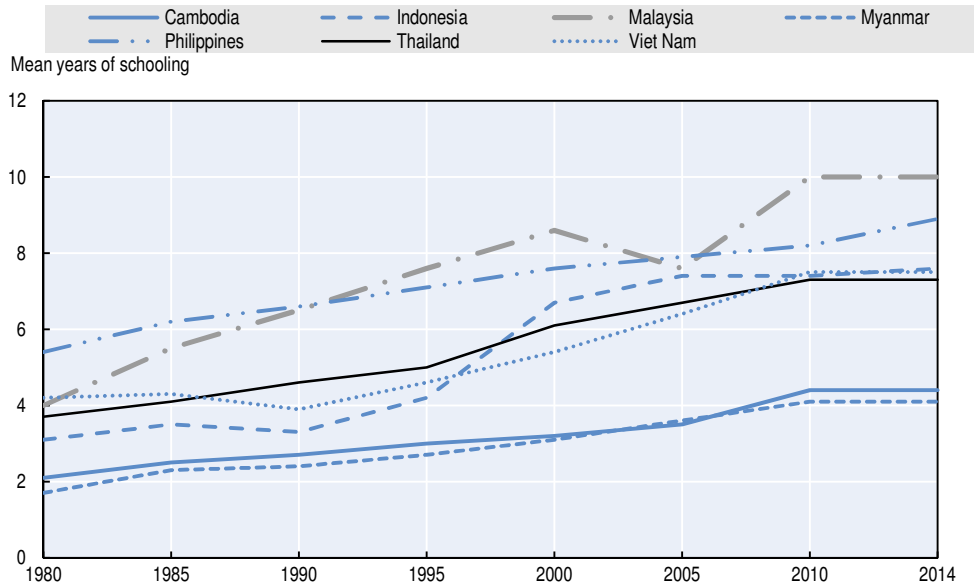
students began senior high school in June 2016 and will complete senior high school in 2018.

Despite being a developing country, the Philippines performs well in terms of educational indicators. Its mean years of schooling increased from 5.4 years in 1980 to close to 9 years in 2014, which is relatively high for the region (Figure 6.1). The Philippines also scores well for elementary school enrolment rates, at 96% in 2013, while secondary school enrolment rates were 67% (UNESCO, 2016).

Figure 6.1. **Mean years of schooling is relatively high in the Philippines**

Average number of years of education received by people aged 25 and older



Source: Human Development Data, UNDP, *http://hdr.undp.org/en/data.*

StatLink *http://dx.doi.org/10.1787/888933458379*

How does migration affect education in the Philippines?

Migration can affect the education and skills sector of a country of origin such as the Philippines through several pathways. A long-standing concern is the emigration of educated and highly skilled migrants, which is feared to result in brain drain. Another concern is the departure of migrant parents, which raises questions about the well-being of the children left behind. The schooling and academic performance of the children of emigrants may be adversely affected because of the absence of parental guidance and support. It is also possible that when both parents migrate, older children may have to assume the caregiving and other domestic responsibilities of adult members, which may force them to drop out of school (McKenzie and Rapoport, 2011; Hanson and Woodruff, 2003).

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On the positive side, migration can increase household income through remittances, which can lead to greater investment in education (Adams, 2005; Cox-Edwards and Ureta, 2003; Hanson and Woodruff, 2003). If remittances received by the household are sufficient to cover basic needs, children should not need to work within or outside the household to support the family. Emigrants who obtain training or education abroad may bring back knowledge and skills that can be used in the country of origin. This "brain circulation" can therefore contribute to human capital accumulation. However, the various channels and complex interactions among all these phenomena make the relationship between migration and education complicated. The analysis below attempts to separate out the impact of individual channels – emigration, remittance, and return migration – on child and youth education and skills in the Philippines.

Highly educated individuals are more likely to plan to emigrate

Depending on the education profile of those who leave, emigration can either positively or negatively affect a country's human capital stock. Decisions about educational attainment and emigration are often taken sequentially, but can also be made simultaneously. The first part of this chapter will examine the relationship between migration and education by analysing the role of education in emigration decisions.

Emigration is a selective process which is likely to involve younger, more educated and healthier individuals. The high level of education in the Philippines enhances their employment chances in the global labour market, contributing to high out-migration. Furthermore, more highly educated individuals are better able to access information, which is an important resource in making migration possible.

One way to evaluate how emigration affects human capital in the country of origin is to analyse the educational profile of those who plan to emigrate in the future.[1] The IPPMD Philippine questionnaire asked adult household members whether they planned to live or work abroad in the future. Figure 6.2 shows that intentions to emigrate increase with education level. On average, 19% of all individuals in the sample are planning to emigrate, compared to 29% of individuals with post-secondary education.

Regression analysis of the association between education and migration intentions, controlling for other relevant individual and household characteristics show that education is positively correlated with intentions to emigrate (Box 6.1). Individuals with secondary education and post-secondary education are the most likely to have plans to emigrate in the future. In rural areas, lower secondary education is not associated with plans to emigrate, unlike in urban areas. There is, however, a strong correlation between individuals educated to upper secondary level and plans to emigrate, regardless of whether they are rural

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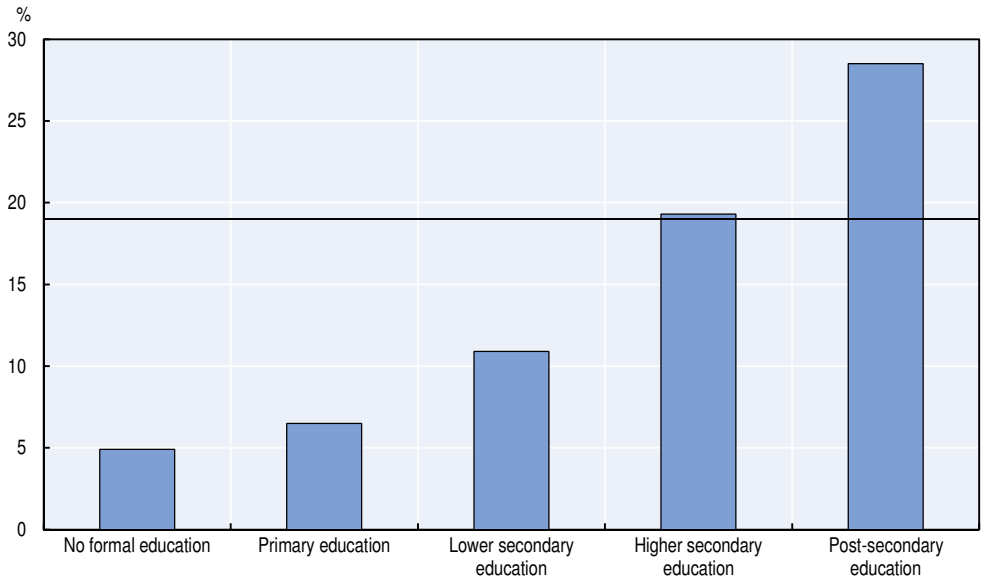
or urban-based. This positive association between education and migration is also in line with previous research on the Philippines (Alburo and Abella, 2002; DOST-SEI, 2011).

Figure 6.2. **Highly educated individuals are more likely to plan to emigrate**

Share of individuals planning to emigrate (%), by education level



Note: To better capture those individuals who have completed post-secondary education, the cut-off age for adults in these estimations is 20 years and above (compared to 15 years in other parts of the report).

Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933458384

Other important determinants of intentions to emigrate include unemployment, living in a household that already has at least one emigrant, and high household wealth (results not shown in the table). It is interesting to note that those without employment are more likely to have intentions to emigrate. This is in line with the findings in Chapter 4, which also shows that 11% of current emigrants were unemployed before leaving the Philippines, while the overall unemployment rate in the IPPMD sample is 5%. Nevertheless, the great majority of those who emigrate are employed or in paid work before leaving the country, which confirms previous findings in the Philippines.

Return migration does little to build human capital since few emigrants acquire education abroad

One of the potential benefits of international migration is the acquisition of new knowledge and skills by migrants in destination countries. Return migrants who bring these skills back home can contribute to human capital accumulation in the origin country.

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Box 6.1. **The links between education and plans to emigrate**

To further estimate the impact of education on the decision to emigrate, a probit regression with the following form was used:

$$Prob(plan_mig_i) = \beta_0 + \beta_1 edu_level_i + \gamma_1 controls_i + \gamma_2 controls_{hh} + \delta_r + \varepsilon_i$$

where $plan_mig_i$ is the intention of adult i to emigrate, taking on a value of "1" if an individual plans to emigrate and "0" if not. edu_level_i represents a set of binary education level variables (no formal education being the reference category) of interest, while $controls_i$ and $controls_{hh}$ are a set of observed individual and household characteristics believed to influence the outcome.[a] δ_r represents regional (municipality level) fixed effects and ε_i is the randomly distributed error term.

Table 6.1. **Well-educated individuals are more likely to plan to emigrate**

Dependent variable: Intentions to emigrate
Main variables of interest: Education level
Type of model: Probit
Sample: Individuals 20 years and above

Variables of interest	Sample		
	(1) All	(2) Urban	(3) Rural
Elementary education	0.035	0.071	0.009
	(0.033)	(0.044)	(0.048)
Lower secondary education	0.054*	0.070*	0.055
	(0.030)	(0.042)	(0.041)
Upper secondary education	0.118***	0.132***	0.109***
	(0.027)	(0.038)	(0.038)
Post-secondary education	0.158***	0.193***	0.146***
	(0.027)	(0.038)	(0.038)
Number of observations	5 516	2 702	2 814

Note: Results that are statistically significant are indicated as follows: ***: 99%, **: 95%, *: 90%, Standard errors are in parentheses and robust to heteroskedasticity. To test robustness, the analysis was also carried out using a sample of individuals 25 years and above; this did not change the results.
Source: Authors' own work based on IPPMD data.

a. The individual and household level control variables included in the regression were: age, sex, whether the individual lives in an urban area, household size, number of members in the household with tertiary education, whether the individual is unemployed and whether the household already has a migrant, and wealth status of the household (measured through an asset index using principal component analysis).

Table 6.2 displays the pre-migration education profile of surveyed current emigrants and return migrants. For both groups, those with post-secondary education comprise the largest share. In general, current emigrants had a higher level of educational attainment before leaving than return migrants. Overall, 9% of current emigrants and 6% of return migrants acquired education while they were abroad.[2] It seems that as Filipino migrants are relatively well

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educated at their departure, few accumulate more education abroad – and this is especially the case for those who return. This suggests that the scope is limited for return migration to compensate for the loss of highly educated emigrants.

Table 6.2. **Less than one in ten current emigrants and return migrants have received education abroad**

	Return migrants	Current emigrants
Educational level before departure (%)		
No formal education	2.5	0.8
Elementary education completed	6.2	2.8
Lower secondary education completed	7.1	7.8
Upper secondary education	25.7	22.0
Post-secondary education	58.5	70.2
Share of migrants receiving education in country of destination	6.2	9.0

Note: The table displays education levels of current emigrants and return migrants (25 years and above) before leaving the Philippines, and the share of emigrants and return migrants that obtained education while being abroad.

Source: Authors' own work based on IPPMD data.

Taken together, these results raise concerns over the attrition in human capital in the Philippines. However, as shown in the labour market chapter (Chapter 4), emigrants are mainly concentrated in a few sectors (primarily health and education). If there is an excess supply of skilled individuals, emigration can also help release pressure on the labour market and does not necessarily lead to skills shortages since the Philippines has a large pool of skilled professionals. This was pointed out in the stakeholder interviews, although several stakeholders mentioned that certain professions, such as scientists and engineers, are in short supply in the country. Another issue identified in the stakeholder interviews is the distribution of skilled professionals across the country. For example, the emigration of health professionals could lead to a deterioration of the health sector in rural areas, as it is much harder to recruit doctors and nurses to work in rural areas than urban areas. Skills shortages may also arise if colleges and universities design their curricula to meet global labour market demands rather than those of the local economy. This is a particular concern in private tertiary education institutions (Asis, 2006; Tan, 2009).

Emigration is positively linked to youth school attendance

As discussed above, the emigration of household members may negatively affect child and youth education enrolment rates and increase school drop-outs. In the Philippines, this is a recurrent concern in the court of public opinion – a concern magnified when women started participating in international labour migration (e.g. ECMI/AOS-Manila, SMC and OWWA, 2004; Asis and Ruiz-Marave, 2013). This is a view that is shared by many Filipino policy makers and

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stakeholders (Asis and Roma, 2010), as well as by stakeholders interviewed during the IPMMD study in the Philippines. On the other hand, remittances sent by emigrants can loosen financial constraints and allow households to pay for children's schooling (Yang, 2008).

Given the high elementary school enrolment rates in the Philippines, the association between migration and educational attainment is more relevant for youth in secondary and tertiary education. School attendance for children aged between 6 and 14 years old in the IPMMD sample is 99% overall, and equally high for boys and girls, for children in the urban and rural areas, and for children coming from households with and without migration experience (data not displayed). However, school attendance declines for the age group 15-17, which corresponds to the last years of high school and first two years of tertiary education in the Philippines (Table 6.3). It also declines for young adults aged 18-22, which covers the latter years of tertiary education. The decline is particularly steep for the latter group, which reflects the national pattern (Asis and Battistella, 2013; Tan, 2009). There are also differences in school attendance for both groups by gender (higher school attendance among girls than boys), residence (higher among youth in urban areas than rural areas, but higher among young adults in rural areas than urban areas), and household migration characteristics (higher among youth and young adults belonging to households with at least one emigrant and households that receive remittances than those from households with no emigrant and not receiving remittances).

Table 6.3. **School attendance rates are higher among children from households with migration experience**

	Household has at least one emigrant	Household has no emigrant	Household receives remittances	Household does not receive remittances
School attendance of youth (aged 15-17) %				
Both sexes	89.6	74.4	89.3	73.8
Girls	92.0	77.4	92.6	76.2
Boys	87.5	72.3	86.7	71.7
Urban	92.5	70.4	91.2	68.9
Rural	86.8	79.6	87.3	79.1
School attendance of young adults (aged 18-22) %				
Both sexes	38.9	29.28	36.6	30.3
Girls	40.5	26.1	36.0	28.2
Boys	37.6	32.7	37.2	32.6
Urban	36.7	29.7	34.6	30.7
Rural	41.4	28.9	39.1	30.0

Source: Authors' own work based on IPPMD data.

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The link between migration and education was further investigated using a regression framework for these two age groups (Box 6.2). The results show that for both age groups there is a positive association between migration and education attendance – for the 18-22 age group, the link is statistically significant. The link also seems to be stronger for migration than remittances. Although there is a strong positive link between receiving remittances and school attendance among the age group 15-17, when controlling for whether the household has an emigrant, the effect is no longer significant. For young people aged 18-22, the link between school attendance and remittances is negative, while the link with having an emigrant in the household is positive. This may be a result of the close association between migration and remittances: only 26 of the emigrant households do not receive remittances, and hence the effect of migration and remittances may be captured through emigration.

The positive links between migration and youth school attendance found here imply that the presumed negative impact of migration on school attendance – i.e. that parental absence may lead to lesser parental guidance – is not borne out in this study.

Box 6.2. **The links between migration, remittances and youth school attendance**

A regression framework was employed to estimate the effect of migration and remittances on school attendance using the following equation:

$$Prob(edu\,attendance_i) = \beta_0 + \beta_1 mig_i + \beta_2 remit_i + \gamma_1 controls_i + \gamma_2 controls_{hh} + \delta_r + \varepsilon_i$$

where the unit of observation is youth i, and the outcome variable $edu\,attendance_i$ is school attendance by youth in one of the two age groups (15-17 and 18-22) respectively. mig_i represents a migration variable including a binary variable for emigration, where "1" denotes if the youth lives in a household with at least one emigrant and "0" otherwise, while $remit_i$ represent a binary variable for remittances, taking on value "1" if the household in which the youth lives is receiving remittances and "0" otherwise, $controls_i$ and $controls_{hh}$ are a set of observed individual and household characteristics influencing the outcome. δ_r represents regional (municipality level) fixed effects and ε_i is the randomly distributed error term.[a] In an additional specification (presented in column 4 in Table 6.4), remittances are replaced by a binary variable indicating the presence of a return migrant in the household.

Four different specifications were carried out. Specification (1) investigates the link between receiving remittances and youth school attendance, controlling for all above-mentioned household characteristics, while column (2) simultaneously investigates the association between migration, remittances and youth school attendance. Columns (3) and (4) respectively investigate the association between school attendance of youth aged 18-22 and migration and remittances [column (3)] and return migration [column (4)].

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Box 6.2. **The links between migration, remittances and youth school attendance** *(cont.)*

Table 6.4. **Migration is linked to higher school attendance**

Dependent variable: Youth education attendance
Main variables of interest: Household has emigrant/receive remittance/has return migrant
Type of model: Probit
Sample: Youth aged 15-17 and 18-22

Variables of interest	Sample			
	(1) Youth aged 15-17	(2) Youth aged 15-17	(3) Youth aged 18-22	(4) Youth aged 18-22
Household has at least one emigrant	n/a	0.083 (0.070)	0.101** (0.050)	n/a
Household receives remittances	0.100*** (0.035)	0.0336 (0.068)	-0.103* (0.050)	n/a
Household has a return migrant	n/a	n/a	n/a	-0.006 (0.040)
Number of observations	575	575	908	908

Note: Results that are statistically significant are indicated as follows: ***: 99%, **: 95%, *: 90%. Standard errors are in parentheses and robust to heteroskedasticity. Return migration is not linked to school attendance by youth aged 15-17 (not displayed in table).

Source: Authors' own work based on IPPMD data.

a. The set of independent variables includes age and sex of the youth, a binary variable indicating if the household in which the youth lives is located in an urban area, household size, the household's dependency ratio (i.e. the share of youth children and elderly in the household in relation to adult members), the total number of children (aged 6-14) in the household, the number of children aged 0-14, the male-to-female ratio and finally a household asset wealth index.

Migration allows households to spend more on education

Remittances offer a financial resource to allow households to invest in educating their children. Several studies have found that remittances are invested in children's education in the Philippines, thereby not only keeping children in school for longer but also increasing their human capital (e.g. Yang, 2008; Murata, 2011; Asis and Ruiz-Marave, 2013; Ducanes, 2015). Paying for a member's schooling is in fact the most common activity undertaken by remittance-receiving households after a member left the household (Chapter 3). Even if basic education (elementary and secondary education) is free in the public school system, parents aspire to send their children to private schools, which they associate with better education. Family resources are especially needed for funding tertiary-level education, which is mostly provided by private institutions in the Philippines (ADB, 2012; Tan, 2009). There are also additional costs – such as transport, meals, and school projects – which can constitute a considerable expense for many households. The costs increase with the level of education, particularly at the tertiary level.

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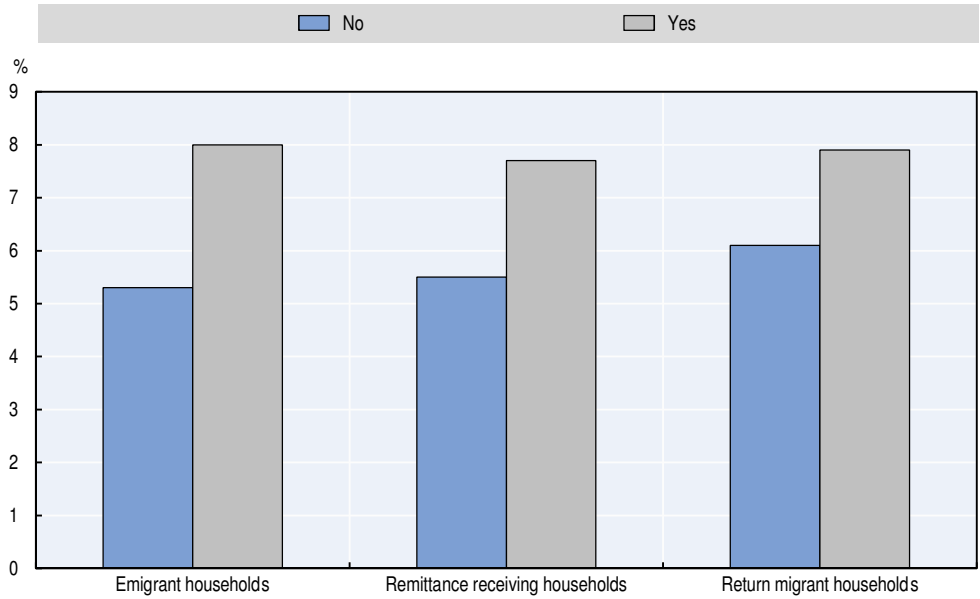
Figure 6.3 shows that migrant households – those with an emigrant, receiving remittances or with a return migrant – spend a higher share of their budget on average on education-related expenditures than those without migration experience. For example, households that receive remittances spend 7.7% of their budget on education on average, while the corresponding share for households without remittances is 5.5%. The same pattern holds true when looking at absolute yearly education expenditures: households with remittances spend more on average than households without remittances.

Figure 6.3. **Households with migration experience spend on average a larger share of their budget on education**

Share of annual budget spent on education (%)



Note: The sample includes households with children and youth (aged 6-22 years old).

Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933458391

More in-depth analysis, controlling for other individual and household factors in a regression framework, confirms that migration and remittances are positively associated with educational expenditures (Box 6.3). The results shown in Table 6.5 indicate that in the case of household expenditures on schooling, the size of both absolute and relative values is significantly positively associated with migration, remittances and return migration. The association between the amount of remittances a household receives and absolute educational expenditures is, however, only statistically significant

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when not controlling for migration. Having a return migrant is positively and statistically significantly associated with absolute educational expenditures, but not as a share of the total household budget.

One potential use of remittances is on private school education. Previous research has, for example, shown that remittances increase the probability of children attending private educational institutions in Latin America (Medina and Cardona, 2010). Descriptive statistics on the share of children and youth in private education indicate that income obtained from migration and remittances may partly be directed towards private schooling (Figure 6.4). Children and youth living in households that receive remittances are more likely to attend private schools than those in households without remittances. This holds for all age groups, from elementary school to tertiary education. However, the stakeholder interviews highlighted concerns over the accreditation process and verification of education quality of the many private higher education institutions in the country, including schools and programmes which were established partly to meet increased demand by emigrant and remittance-receiving households. Previous research has also shown that higher education institutions in the Philippines, which are often privately owned, are sensitive to overseas employment trends, and enrolment revenues are given priority over quality (Asis, 2006; Ortiga, 2015; Tan, 2009). Hence, the increased demand for educational services needs to be matched with investments in educational infrastructure as well as tools to monitor and assure education quality.

Box 6.3. **The links between migration and education expenditures**

A regression framework similar to the one defined in Box 6.2 was employed to estimate the effect of migration and remittances on education expenditures using the following equation:

$$Ln(edu_exp_{hh}) = \beta_0 + \beta_1 \ln(remit)_{hh} + \beta_2 emig_{hh} + \gamma controls_{hh} + \delta_r + \varepsilon_{hh} \quad (1)$$

$$\frac{edu\ exp_{hh}}{total\ exp_{hh}} = \beta_0 + \beta_1 ln(remit_{hh}) + \beta_2 emig_{hh} + \gamma controls_{hh} + \delta_r + \varepsilon_{hh} \quad (2)$$

where the dependent variables $Ln(eduexp_{hh})$ in equation (1) and $\frac{edu\ exp_{hh}}{total\ exp_{hh}}$ in equation (2) represent households' educational expenditures measured in absolute (logged) values or as a share of total household annual budget respectively. $\ln(remit_{hh})$ represents a remittance variable for the amount of remittances received, while $emig_{hh}$ takes on value "1" if the household has at least one emigrant and "0" otherwise.

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Box 6.3. **The links between migration and education expenditures** *(cont.)*

$controls_{hh}$ are a set of observed household characteristics influencing the outcome.[a] δ_r represents regional (municipality level) fixed effects and ε_{hh} is the randomly distributed error term. In an additional specification (presented in column 4 in Table 6.5), remittances are replaced by a binary variable indicating the presence of a return migrant in the household.

Four different specifications were carried out. Specification (1) investigates the link between receiving remittances and the (logged) amount of household budget spent on education while column (2) simultaneously investigates association between migration, remittances and the amount spent on education. Column (3) investigates the association between migration, remittances and the share of the total household budget that is spent on education. Finally, in column (4) the association between return migration and household expenditures on education is investigated (also controlling for households having an emigrant).

Table 6.5. **Households receiving remittances spend more on education**

Dependent variable: Logged amount of educational expenditures (column 1,2,4), Educational expenditures as share of total household expenditures (column 3)
Main variables of interest: Amount of remittances, having an emigrant/return migrant
Type of model: OLS
Sample: All households

Variables of interest	Dependent variable			
	(1) Educational expenditure (amount)	(2) Educational expenditure (amount)	(3) Educational expenditure (share)	(4) Educational expenditure (amount)
Amount of remittances household receives	0.036*** (0.007)	0.004 (0.014)	0.007*** (0.003)	n/a
Household has at least one emigrant	n/a	0.425*** (0.164)	0.006 (0.009)	0.481*** (0.085)
Household has a return migrant	n/a	n/a	n/a	0.219** (0.110)
Number of observations	1 186	1 186	817	1 198

Notes: Results that are statistically significant are indicated as follows: ***: 99%, **: 95%, *: 90%. Standard errors are in parentheses and robust to heteroskedasticity. Educational expenditures as share of household yearly budget are not linked to return migration (not shown in table due to limited space).

Source: Authors' own work based on IPPMD data.

a. The set of household and individual explanatory variables included in all specifications are the following: household size, household dependency ratio (defined as the number of children and elderly in the household as a share of the working population), mean education level of the adult members in the household, the number of young children (6-14 years old), the number of youth (15-17 years old) and the number of members of tertiary age in the household, a dummy for urban location and an asset index (based on principal component analysis) that aims to capture the wealth of the household.

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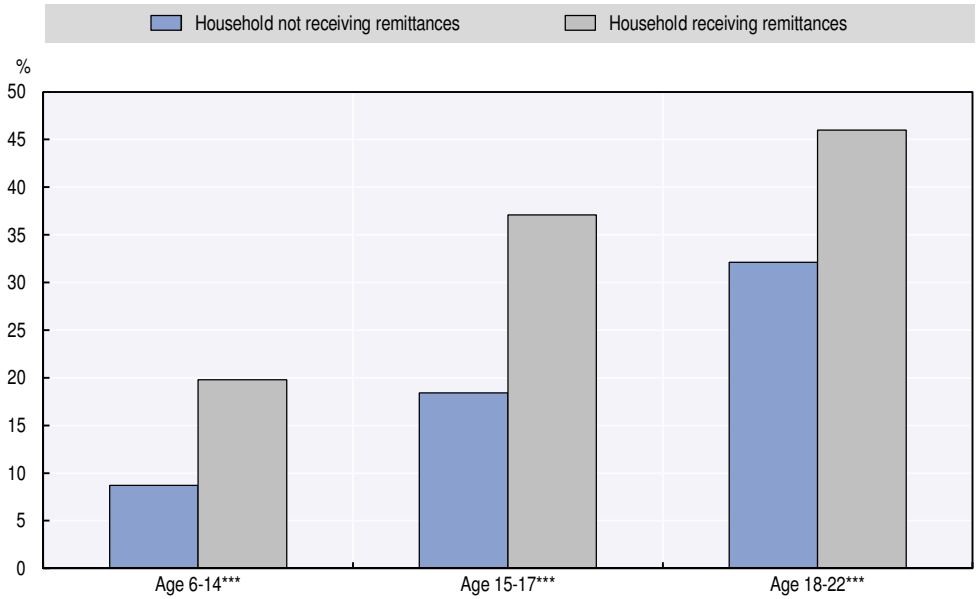
Figure 6.4. **Remittance-receiving households are more likely to send their children to private schools**

Share of students attending private education (%)



Note: Statistical significance calculated using a chi-square test is indicated as follows: ***.99%, **.95%, *.90%. Remittances include all remittances, from former household members as well as from individuals (family and friends) that have never been part of the household.

Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933458406

How do education policies in the Philippines affect migration?

The relationship between education policies and migration is multidimensional, and can affect migration patterns in several ways. Financial support for children's education and the provision of training and programmes to match education supply and labour market demand may reduce the incentives to emigrate. On the other hand, welfare policies linked to education – such as cash transfers – can be used to finance emigration.

The IPPMD study identified a number of key policies in the education sector in the Philippines (Box 6.4) in order to analyse the link between education policies and migration outcomes, such as decisions to emigrate, to remit money and to return and stay in the home country.

Overall, 38% of the households in the sample with children of school age (6-20 years old) benefited from at least one of the education programmes included in the survey. In-kind distribution programmes, particularly the distribution of school textbooks and school meal programmes, were the most common (Figure 6.6). Of these, the school meal programme benefited the largest

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share of households – around 15%. Feeding programmes have been in place in public schools since 1997, implemented by the Department of Education (DepEd) together with local governments, businesses, NGOs, and community organisations. They began with the Supplemental Feeding Program (SFP), which served breakfast to elementary students identified as being malnourished. Its aim was to restore at least 70% of beneficiaries to normal nutritional status and to improve class attendance to 85-100%. In 2010, the programme was expanded and renamed the School-Based Feeding Program (SBFP). This provides breakfasts and lunches to elementary students (from 2012, kindergarten students were included). Although the scope is nationwide, budget constraints mean it can only reach a small percentage of malnourished school children. Other in-kind distribution programmes, such as textbooks, school supplies and uniforms, may be provided by the government or by private organisations.

Box 6.4. **Education programmes in the household survey**

After an assessment of the most relevant education programmes in the country implemented in recent years, a list of both in-kind and cash based programmes was identified and introduced into the IPPMD household questionnaire (listed in Figure 6.5). Households were asked if anyone had benefited from any of these educational programmes in the five years prior to the survey. Most of the programmes included in the survey target elementary and secondary schooling. All of the programmes are nationwide in scope, and many of them are needs-based. Questions on vocational training programmes were also included in the survey, these are analysed in the labour market chapter (Chapter 4).

Figure 6.5. **Education policy programmes in the IPPMD survey**

In-kind distribution programmes	Cash-based programmes	Other types of programmes
• School textbooks • School supplies • School meal programme • School uniforms	• Scholarship programmes • Conditional cash transfer programme • Education service contracting	• Literacy campaigns

Among the cash-based programmes, scholarships for tertiary education are the most prominent among the IPPMD households: 7.5% of households with children of school age have benefited from tertiary education scholarships in the past five years. Scholarships can be based on merit, or targeted at low-income groups, or a combination of both. A smaller proportion of households benefited from scholarships at the elementary and high school levels, which

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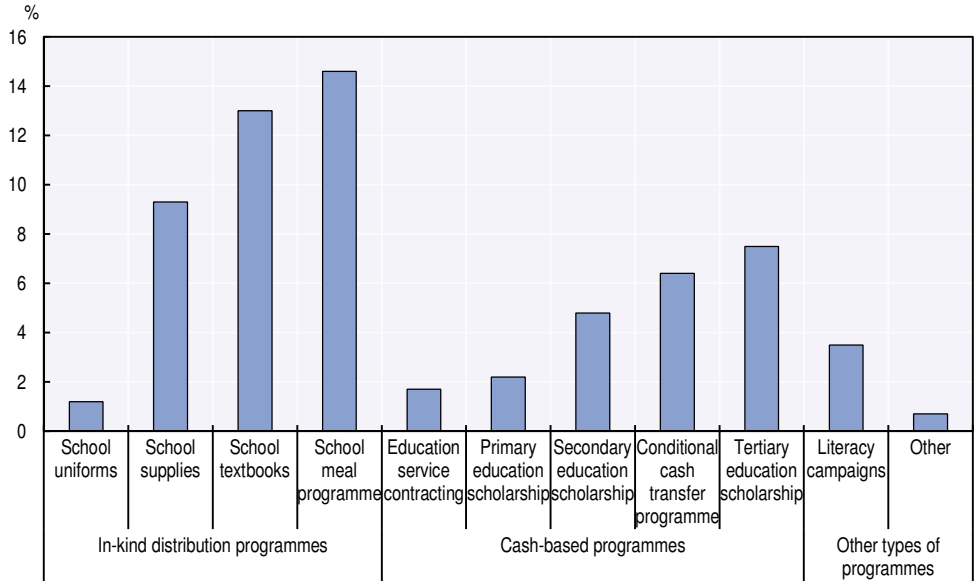
is explained by the fact that basic education (elementary and high school) is free. Scholarships at these levels offer assistance with school-related expenses. Scholarships can be provided by government bodies, officials (e.g. elected officials provide scholarship programmes), or by private organisations and individuals.

The conditional cash transfer programme (*Pantawid ng Pamilyang Pilipino Program* or 4Ps) is the largest social protection programme implemented by the government targeting extremely poor families. It began in 2007, when it covered families with children aged 14 and below. Since 2013 it has been extended to families with children under 18 years old. These families are given monthly cash assistance of PHP 500 (Philippine Pesos) to help them with health and nutrition expenses, and PHP 300 per child (for up to three children) to help with educational expenses. The cash assistance is conditional upon mothers seeking pre-natal and/or post-natal care and children attending school. A family with three children can receive up to PHP 1 400 per month.

The Educational Service Contracting (ESC) is a government scheme to provide grants for deserving elementary graduates to enrol in private high schools. One of its aims is to take the pressure off overcrowded public high schools.

Figure 6.6. **In-kind distribution programmes are the most common education programmes**

Share of households with school-age children benefiting in the five years prior to the survey



Note: The sample includes households with children aged from 6 to 20 years old. Primary education corresponds to elementary education and secondary education to high school education.

Source: Authors' own work based on IPPMD data.

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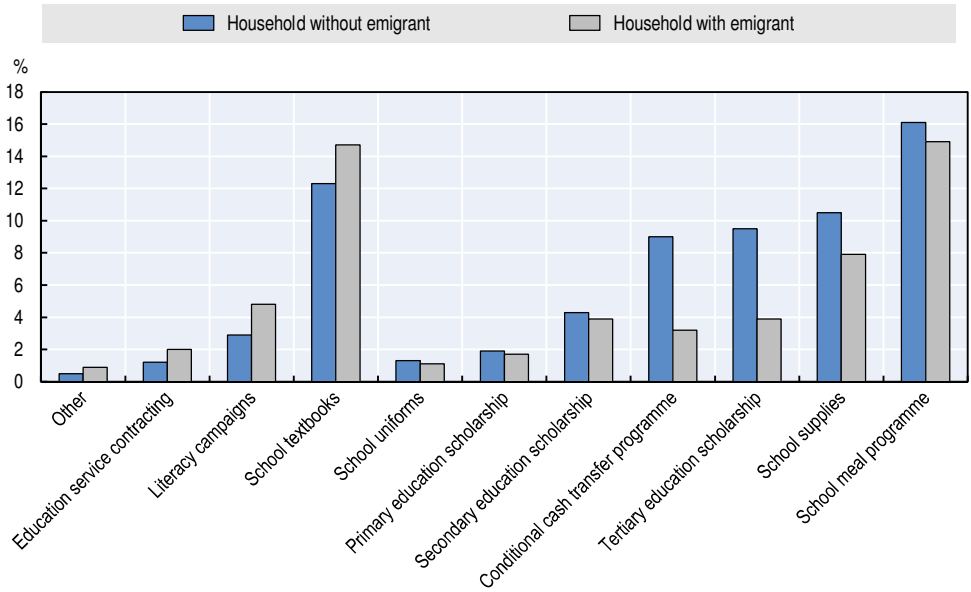
Cash-based education programmes appear to reduce emigration

Descriptive statistics in Figure 6.7 suggest that households with at least one emigrant are less likely to have benefited from all cash-based education policies except education service contracting. This could suggest that households that receive monetary support to send and keep their children and youth in school are less in need of considering emigration. However, it is also likely that the pattern is driven, for example, by household wealth, as the CCT programme is targeting poor households that may not have the sufficient funds to emigrate abroad. It is thus necessary to also control for other factors that might influence the decision to emigrate. The IPPMD survey collected data on beneficiaries of education programmes in the past five years prior to the survey, but not the exact year the household benefited from the programme. It is therefore not possible to identify emigrants who emigrated (or migrants who returned) after the household benefited from a policy. However, by restricting the sample to only include emigration and return migration in the past five years prior to the survey (and excluding households with emigrants that left more than five years ago and households with return migrants that came back more than five years ago), the analysis links policies to emigration that happened around the same time. The results of the regression analysis are presented in Box 6.5.

Figure 6.7. **Households benefitting from cash-based education programmes are less likely to have emigrants**

Share of households benefiting from education policies in the past five years, by migration experience



Note: The sample includes households with children aged 6-20 years old. Households with emigrants include all households which had a member emigrating abroad in the five years prior to the study.

Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933458422

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Box 6.5. **The links between education policy and emigration**

To estimate the impact on emigration of benefitting from any education support programme, the following probit equation was applied:

$$Prob(mig_{hh}) = \beta_0 + \beta_1 edu_policy_{hh} + \gamma controls_{hh} + \delta_r + \varepsilon_{hh}$$

where mig_{hh} represents household migration status, being a binary variable for the household either having at least one member planning to emigrate in the future (specification 1) having at least one emigrant who left in the five years prior to the survey (specification 2), receiving remittances (specification 3), or having a return migrant (specification 4). edu_policy_{hh} is the variable of interest and represents a binary variable indicating if the household has benefited from an education policy in the five years prior to the study (results presented in the upper part of the table). It takes on value "1" if the household has benefited from an education policy programme and "0" otherwise. Cash-based programmes (CCT and scholarships) are also analysed separately (results presented in the lower part of the table). $controls_{hh}$ are a set of observed individual and household characteristics influencing the outcome.[a] δ_r represents regional (municipality level) fixed effects and ε_{hh} is the randomly distributed error term

Table 6.6. **Cash-based education policies are negatively linked with emigration**

Dependent variable: Plans to emigrate, having and emigrant/receiving remittances, have a return migrant
Main variables of interest: Household benefited from education programme/cash-based education programmes
Type of model: Probit
Sample: All households

Variables of interest	Dependent variable			
	(1) Plan to emigrate	(2) Household has an emigrant	(3) Household receives remittances	(4) Household has a return migrant
Household benefited from any education policy in the past 5 years	0.072***	-0.038	0.012	0.001
	(0.025)	(0.028)	(0.016)	(0.013)
Number of observations	1 938	1 177	1 382	1 727
Cash-based programmes				
Household benefited from conditional cash transfer	0.061	-0.130**	-0.160***	-0.028
	(0.054)	(0.057)	(0.055)	(0.034)
Number of observations	1 938	1 177	1 382	1 727
Household benefited from scholarship programme	0.080**	-0.132***	-0.036	0.007
	(0.039)	(0.044)	(0.036)	(0.018)
Number of observations	1 938	1 177	1 382	1 727

Notes: Results that are statistically significant are indicated as follows: ***: 99%, **: 95%, *: 90%. Standard errors are in parentheses and robust to heteroskedasticity.

a. The control variables include household size, household dependency ratio (defined as the number of children and elderly in the household as a share of the working population), mean education level of the adult members in the household, the number of young children (6-14 years old), the number of youth (15-17 years old), a dummy for urban location and an asset index (based on principal component analysis) that aims to capture the wealth of the household.

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The results of the regression analysis (Table 6.6) show that households that have benefited from any type of education policy are more likely to have a member planning to emigrate in the future. However, overall there is no statistically significant link between benefitting from an education policy and having a member who emigrated in the past five years, receiving remittances or having a member who returned from overseas.

As discussed above, the main way that education policies potentially influence migration outcomes is by relieving households' financial constraints. Cash-based education programmes may hence be particularly important in influencing migration decisions. The results of the analysis of the two main cash-based programmes in the Philippines, conditional cash transfer (CCT) programmes and scholarships, are shown separately in the second part of Table 6.6. These show that households benefitting from cash-based programmes (both CCTs and scholarships) are less likely to have had an emigrant leave the household in the past five years. They are also less likely to have received remittances. The fact that CCT programmes in the Philippines are directed towards poor households suggests that the results need to be interpreted with some caution as it is hard to establish causality. While the analysis did control for household wealth, more work is needed in order to fully understand the mechanisms linking CCT programmes and migration.

Households receiving scholarships are also less likely to have an emigrant, although they are more likely to have a member who is planning to emigrate. A potential explanation is that scholarships deter migration in the short term because individuals are still in education, but that they could be planning to emigrate once they have finished. This explanation also reflects the findings in the first part of the chapter that intentions to emigrate increase with education levels.

Furthermore, the analysis showed no statistically significant link between households with return migrants (who returned in the past five years) and benefiting from CCTs or scholarship programmes. This indicates that although education policies potentially deter emigration, benefiting from such policies is not sufficient to encourage emigrants to return.

Conclusions and policy recommendations

The analysis presented in this chapter shows that education is an important factor in the decision to emigrate. Adults educated to secondary level and above are more likely to plan to migrate than those with lower levels of education. As few return migrants obtain education while abroad, the loss of human capital from emigration is likely not compensated for by return migrants bringing back new skills.

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On the other hand, the research finds that emigration and remittances have positive impacts on school attendance by young people and on household educational expenditures. Children in households that receive remittances are more likely to send their children to private schools – while this is a positive phenomenon, the demand created does put pressure on the education sector.

How are educational policies affecting migration? Conditional cash transfer programmes and scholarships seem to discourage beneficiary households from emigrating, perhaps by relieving financial constraints in a key sector such as education. Nevertheless, there appears to be a link between receiving scholarships and plans to emigrate, which could undermine the effect in the medium to longer run. Introducing conditionality into the design of cash-based education programmes could help deter emigration.

Policy recommendations are as follows:

- The increased demand for educational services from remittance inflows should be met with investments in educational infrastructure, especially in teachers and building classrooms, to ensure universal access to education.
- The use of remittances to finance private education calls for measures to monitor and verify the quality of private education institutions, including strengthening the accreditation process.
- Collecting migration and remittance information in the design and evaluation of cash-based education programmes would allow policy makers to better understand the effects of such programmes on emigration patterns.

Notes

1. It is however important to keep in mind that intentions to emigrate are not always realised, and they do not perfectly predict future emigration.
2. The questionnaire included a set of questions related to the education of current emigrants and return migrants: current, including current education level, education level before the emigrant/return migrant left the Philippines and any education obtained while abroad.

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Chapter 7

Migration, investment and financial services in the Philippines

With the right policies in place, migration and remittances can spur development through household consumption and investments in entrepreneurial activities and real estate. The Philippines is one of the world's largest remittance recipients, offering enormous development potential. This chapter explores the links between migration, remittances and investment in the Philippines, and asks how policies on investment, financial services, and financial literacy training could help that potential be fulfilled. It examines whether remittances are linked to business and real estate ownership, and the degree to which return migrants are investing productively. It also reports on households' access to the formal banking sector through the possession of bank accounts, and the extent to which they are reached by financial literacy programmes.

The potential positive effects of migration and remittances on investment and development in the origin country have been acknowledged both in the research and by policy makers. The new 2030 Agenda for Sustainable Development recognises migration as a multi-dimensional phenomenon that can contribute positively to inclusive growth and sustainable development (UN, 2015).

Through remittances, international migration can be a significant driver of capital investment. The total amount of remittances sent home to developing countries reached USD 432 billion in 2015 (Ratha et al., 2016). Besides serving as an important resource for securing the basic needs of recipient households, these funds can also be used productively – investing in local micro-enterprises or purchasing physical capital such as land. In this way they contribute to welfare, growth and development both within the household and beyond.

The Philippines has seen high and robust inflows of remittances in recent decades. In 2015 it was the world's third largest recipient of remittances with USD 28 billion (Ratha et al., 2016). The Philippine Government has recognised the investment potential of these transfers, and implemented various programmes and initiatives to strengthen the economic and social benefits of remittances for migrants and their families as well as for communities and the country as a whole (de Vries, 2011).

Migration and remittances can help overcome constraints in access to financial and human capital, especially in countries where access to credit is limited and formal financial markets are underdeveloped. Although remittances are private household income and their use is decided by the household, a favourable policy environment can increase returns to investments and expand investment options for remittance-receiving households.

The chapter starts with an overview of the investment and financial service sector in the Philippines. It then examines the links between investments and migration, remittances and return migration, before analysing the role of public policies, particularly those related to financial inclusion and financial training, in migrant and remittance decisions. The chapter concludes by summarising the policy recommendations of the findings.

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A brief overview of the investment and financial service sector in the Philippines

The Philippines has experienced robust economic growth in the last six years, and improved its credit-rating rank in the last half decade, making it more attractive to investments both from local and foreign investors. The country's official economic planning agency, the National Economic and Development Authority (NEDA), reports that total approved foreign and local investments reached over PHP 697 billion (Philippine Pesos) (or about USD 16.5 billion) in 2012, primarily in manufacturing, electricity, and real estate. Around 60% of these investments were made by Filipino nationals (NEDA, 2014). Net foreign direct investments (FDI) reached USD 5.7 billion in 2015, as reported by the Central Bank (*Bangko Sentral ng Pilipinas*, BSP) (Delavin, 2016).

Nevertheless, the benefits of national economic growth have yet to be enjoyed by the majority of the population, especially the poor. Inclusive growth has become a high priority for the government in the last decade (NEDA, 2014). In addition, the high cost of doing business in the Philippines is a barrier to investment. The country continues to lag in the ease of doing business rankings, coming 99 out of 190 countries worldwide (Table 7.1). The Philippines is still facing numerous challenges across all fronts in terms of doing business, especially when it comes to starting a new business (rank 171 out of 190 countries).

Table 7.1. **The Philippines has a less favourable business environment than its neighbours**

	The Philippines	Thailand	Malaysia	Cambodia	Indonesia
Ease of doing business	**99**	**46**	**23**	**131**	**91**
Starting a business	171	78	112	158	151
Dealing with construction permits	85	42	13	183	116
Registering property	112	68	40	120	118
Getting credit	118	82	20	7	62
Paying taxes	115	109	61	124	104
Trading across borders	95	56	124	102	108
Enforcing contracts	136	51	104	178	166

Note: Economies are ranked on their ease of doing business, from 1-190. A high rank (represented by a *low* numerical value) indicates a relatively more favourable business environment. Ease of doing business is the overall ranking, taking ten topics into account. As well as the overall ease of doing business rank, rankings in seven selected topics are also presented in the table.

Source: World Bank (2016a) *Doing Business*, *www.doingbusiness.org/rankings*.

Every year, billions of dollars in remittances are sent by migrant Filipinos to their families in the Philippines. In 2015, remittance inflows reached USD 28 billion, and constituted close to 10% of national GDP (Ratha et al., 2016). These income transfers are mainly sent through the formal financial

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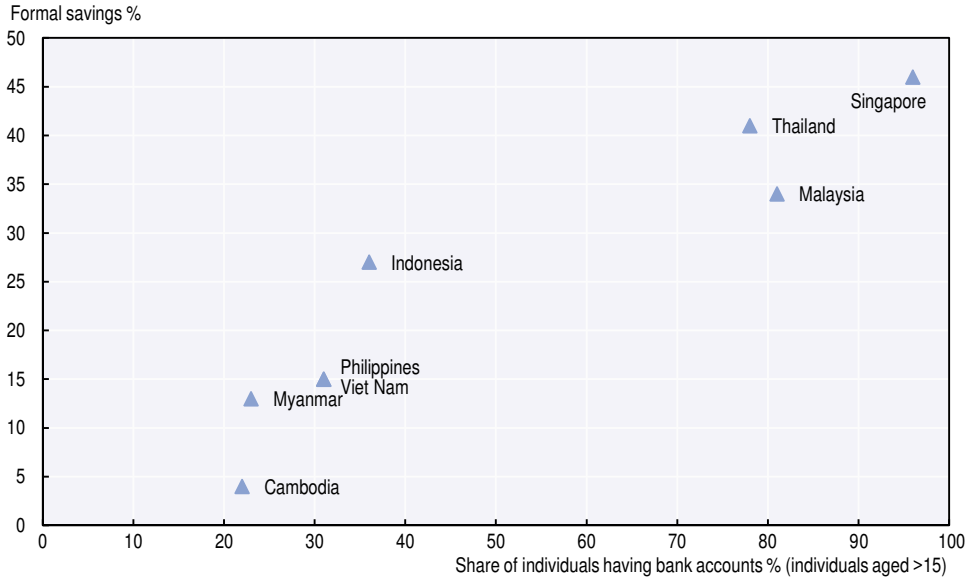
system, especially banks and their subsidiaries. Of the total amount sent by migrants, data from the 2015 Survey on Overseas Filipinos show that about 62% are sent through formal banks (PSA, 2016). The share of banks in sending cash remittances has been increasing since the 1990s (Abenoja, 2004).

Despite financial shocks, the Philippine financial system continues to show resilience, which is partly due to the steady and significant inflow of remittances. The Philippine financial system is primarily bank-based. Banks play a leading role in providing credit, mobilising savings, and other forms of financial intermediation (NEDA, 2011). Bank density in the Philippines is approximately six banking offices per city/municipality or an average of one bank and two automated teller machines (ATMs) for every 10 000 Filipino adults (BSP, 2011). However, access to banks and the share of individuals with a bank account is low compared to other countries in Southeast Asia. Formal saving rates are also relatively low in the Philippines (Figure 7.1). Fewer than one in three adults (31%) has a bank account, and only 15% have formal savings. According to the National Economic and Development Authority, only about 21% of households had deposit accounts in 2009. Nevertheless, the banking sector is said to account for over 80% of the total assets of the Philippine financial system, with the rest being held by the non-banking sector (NEDA, 2011).[1]

Figure 7.1. **Fewer than one in three individuals has a bank account in the Philippines**

Formal savings (%) and bank account possession (%)



Note: The definition of formal savings is having saved in a formal bank or other financial institution. The database does not include information about Lao PDR and Brunei Darussalam.

Source: World Bank (2016b), *Global Findex Database*, *http://datatopics.worldbank.org/financialinclusion/*.

StatLink *http://dx.doi.org/10.1787/888933458430*

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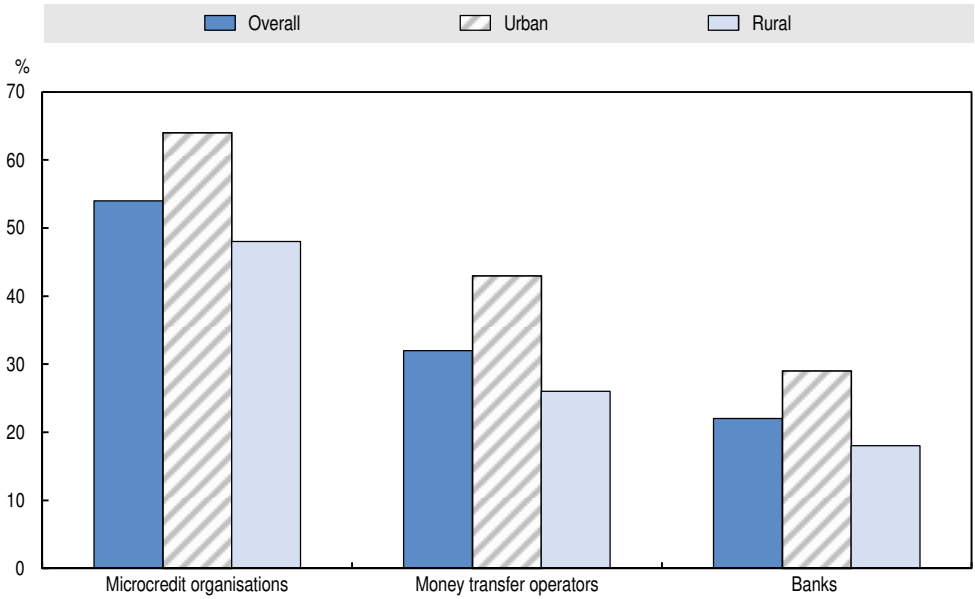
One factor that contributes to the low bank account possession is the high concentration of banks in highly urbanised areas. About 43% of all deposit accounts in the Philippine banking system are held in Metro Manila (BSP, 2011). Descriptive statistics based on the IPPMD community survey also show a higher coverage of financial service institutions in urban areas than in rural areas (Figure 7.2). This is true for all three types of financial institution (microcredit organisations, money transfer operators and banks). The data show that microcredit organisations and money transfer operators are more widespread than banks. While close to half the sampled communities are covered by microcredit organisations (overall 54-64% of the urban communities and 48% of the rural communities), only about one in five communities in the IPPMD sample have a bank (22% in urban areas and 18% in rural areas).

Figure 7.2. **Urban communities are better covered by financial service institutions**

Share of communities with financial institutions (%)



Source: Authors' own work based on IPPMD data.

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How does migration affect investments in the Philippines?

Migration can have various effects on investments and the financial sector. On the one hand, remittances can be a driver of investments and motivate the financial sector to better address the needs of migrants. Remittances can be used for productive investments in enterprises, commercial activities and housing and real-estate ventures. Another important use of remittances is consumption. Previous studies from a number of countries have shown that remittances

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are used for consumption purposes to a large extent (Chami, Fullenkamp and Jahjah, 2003; Zarate-Hoyos, 2004). It is important to point out that such investments also contribute to household wellbeing, and indirectly also to growth and development. The large inflows of remittances to the Philippines are an important resource for spurring domestic consumption, which in turn is key for economic growth (Ratha et al., 2016).

Besides the welfare benefits for the migrant households, remittances invested in productive activities can have a multiplier effect on the local economy in terms of generating employment and fostering a demand for certain goods and services. In this way, migration can set in motion a "development dynamic" (Taylor, 1999). On the other hand, migration can also have disruptive effects on investment if households need to sell their business or other valuable assets in order to finance migration.

Similarly, return migrants may invest capital and knowledge accumulated abroad in productive activities in their home country. Growing evidence in the global literature shows that return migrants accumulate savings abroad and start a business upon their return (Labrianidis and Hatziprokopiou, 2006; McCormick and Wahba, 2001). On the other hand, migration may also have a disruptive effect on labour market integration; business activities can sometimes be the "last resort" if return migrants face challenges on the local labour market (Mezger Kveder and Flahaux, 2013).

Previous studies on migrants' contributions to development in the Philippines show somewhat mixed effects. While some studies found a positive relationship between remittances and investments, particularly in human capital investments such as education and health and in durable goods (Tabuga, 2007; Tullao, Cortez and See. 2007; Zosa and Orbeta, 2009), other studies found limited effects on household investments (Ang, Sugiyarto and Jha, 2009). The evidence related to migration and entrepreneurship in the Philippines is scarce. However, one study found a positive link between migration and self-employment and business activities, especially investments in relatively capital-intensive business activities (Yang, 2008).

As the net effect of migration and remittances on investments is not clear, the analysis which follows teases out the individual impacts of various aspects of migration and their links to investment. The analysis focuses on productive investments, defined in this study as investments in business activities and real estate.

Migration and remittances are linked to property but not business ownership

The IPPMD questionnaire asked what activities migrant and remittance-receiving households carried out following the departure of a household member (Figure 3.8 in Chapter 3), listing a number of potential investment areas such as real estate, businesses, education and health. The most common activity reported by

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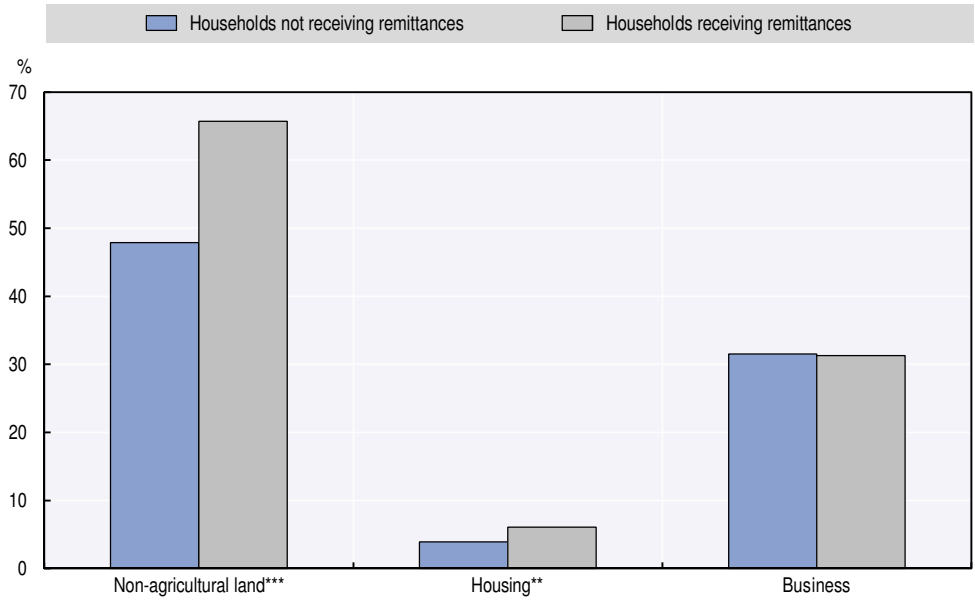
households was paying for the education of family members (37% of remittance-receiving households reported having undertaken this activity). Education is a high priority for Filipino households, as discussed in Chapter 6. Other significant activities include repaying loans (28%), building or buying a house (17%), and paying for medical care. Around 6% of the households receiving remittances state that they set up a business after a member left the household and around 8% bought land.

As shown in Figure 7.3, households receiving remittances are more likely to own real estate assets (non-agriculture land and property other than the family residence).[2] Non-agricultural land is more common among households receiving remittances – 66%, compared with 48% among households not receiving remittances. Housing, such as condominiums, was also mentioned in the IPPMD stakeholder interviews as one area in which migrants and their families typically invest their money. One stakeholder described how real estate development in Naga City is significantly driven by investments by the large population of overseas Filipino families.

Comparing business ownership for remittance-recipient households with households not receiving remittances in the IPPMD sample did not reveal any major differences, however. Around 30% of the households own a business, regardless of whether they receive remittances (Figure 7.3).

Figure 7.3. **Households that receive remittances are more likely to own non-agricultural land and property**

Share of households owning business, housing and real estate (%), by remittance status



Note: Business ownership is defined as a household running at least one business. Statistical significance calculated using a chi-squared test is indicated as follows: ***.99%, **.95%, *.90%.
Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933458450

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The relationship between migration, remittances and business ownership in the IPPMD dataset was analysed further using regression analysis (Box 7.1). The results show no association between migration, remittances and owning a business. Households with migrants and remittances are not more likely to own a business, and the results do not vary depending on whether the household is urban or rural. Additional analysis was also carried out investigating the link between migration and self-employment, but no link was found (results not displayed here).

Box 7.1. **The links between migration, remittances and business ownership**

To test the link between migration, remittances and business ownership, a probit models was applied taking the following form:

$$Prob(business)_{hh} = \beta_0 + \beta_1 remit_{hh} + \beta_2 emig_{hh} + \gamma controls_{hh} + \delta_r + \varepsilon_{hh}$$

where $business_{hh}$ represents business ownership of the household and takes on value "1" if a household owns at least one business and "0" otherwise. $remit_{hh}$ represents a dummy variable for remittances that takes on a value "1" for households that receive remittances and "0" otherwise. $emig_{hh}$ represents a dummy variable for whether the household has an emigrant or not, and $controls_{hh}$ are set of observed household characteristics that are believed to influence the outcome.[a] δ_r represents regional (municipality level) fixed effects and ε_{hh} is the randomly distributed error term.

Three different specifications were carried out. Specification (1) investigates the link overall between migration, receiving remittances and household business ownership, controlling for all above mentioned household characteristics. Columns (2) and (3) show the results for urban and rural households respectively.

Table 7.2. **Migration and remittances are not linked to business ownership**

Dependent variable: Household runs at least one business
Main variables of interest: Household has an emigrant/receives remittances
Type of model: Probit
Sample: All households

Variables of interest	Sample		
	(1) All	(2) Urban	(3) Rural
Household has an emigrant	-0.039	-0.026	-0.053
	(0.040)	(0.056)	(0.058)
Household receives remittances	-0.020	-0.030	-0.008
	(0.039)	(0.053)	(0.056)
Number of observations	1 938	965	973

Note: Results that are statistically significant are indicated as follows: ***: 99%, **: 95%, *: 90%. Standard errors are in parentheses and robust to heteroskedasticity.

a. The set of household and individual explanatory variables included in the model are the following: household size and household size squared, household dependency ratio (defined as the number of children and elderly in the household as a share of the total members in working age), household head education level, a dummy for urban location (column 1), and finally an asset index (based on principal component analysis) that aims to capture the wealth of the household

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One potential explanation for these findings is the high barriers to doing business in the Philippines, especially when it comes to starting a business (Table 7.1). This was confirmed by several stakeholders interviewed for the IPPMD project, who stated that the Philippines lags behind other countries in the region when it comes to providing a business-friendly environment.

Regression analysis also explored the links between migration, remittances and real-estate ownership (Box 7.2). The results show that households with a current emigrant are more likely to own real estate, while households receiving remittances are not. Dividing the sample into rural and urban households shows that migration is only associated with real-estate ownership in urban areas but not in rural areas. A potential reason could be that real estate is more available, and a more profitable investment, in urban areas.

Box 7.2. **The links between migration, remittances and real-estate ownership**

The same approach as described in Box 7.1 was taken to estimate the impact of remittances on real-estate ownership. The dependent variable was real-estate ownership, taking on value 1 if the household owns non-agricultural land and/or property, and 0 otherwise. The same control variables as in the estimations in Box 7.1 were used to control for household characteristics.

Three separate estimations were carried out: column (1) analyses the relationship between real-estate ownership, migration and remittances by using binary variables for households having a migrant and household receiving remittances. Columns (2) and (3) analyse households residing in urban and rural areas respectively.

Table 7.3. **Migration is positively linked to real-estate ownership, but only in urban areas**

Dependent variable: Household owns real estate
Main variables of interest: Household has an emigrant/receives remittances
Type of model: Probit
Sample: All households

Variables of interest	Sample		
	(1) All	(2) Urban	(3) Rural
Household has an emigrant	0.063**	0.086*	0.039
	(0.036)	(0.049)	(0.053)
Household receives remittances	-0.046	-0.058	-0.035
	(0.035)	(0.048)	(0.051)
Number of observations	1 930	962	968

Note: Real estate includes housing and non-agriculture land. Results that are statistically significant are indicated as follows: ***: 99%, **: 95%, *: 90%. Standard errors are in parentheses and robust to heteroskedasticity. Separate analysis for non-agriculture land was also performed, and the results are similar to the results for the aggregated ownership of housing and/or land ownership presented above.

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Return migration is linked to higher productive assets and business ownership

Research on the impacts of return migration in the Philippines is scarce. The limited evidence that exists does not indicate that migrants return with new knowledge or capital that is used to support business activities (Ang, Sugiyarto and Jha, 2009). Filipino migrants often return upon the termination of their contracts (although they may renew), or due to job displacements resulting from pre-termination of contracts or a crisis. The latter case often makes return migrants more likely to want to secure new job contracts overseas, rather than seek employment or self-employment opportunities in the local labour market (Ang, Sugiyarto and Jha, 2009). Some initiatives to support return migrants business activities have been carried out by the government. Since 2005, the Overseas Workers Welfare Administration (OWWA) has implemented a programme for returning migrants, handing out enterprise loans at a favourable interest rate (Ang, Sugiyarto and Jha, 2009). The National Reintegration Center for OFWs (NRCO) was established in 2007 to co-ordinate the government's programmes in providing support to return migrants. As mentioned in Chapter 2, under RA 10801 (signed into law on 10 May 2016), also known as the OWWA Charter, reintegration was identified as a core programme of OWWA, and transfers the NRCO under OWWA for policy and programme co-ordination.

The IPPMD data include information about return migrants in households as well as household business activities. However, the latter is limited to the household level, so it does not reveal if the businesses are run by the return migrants themselves or by other members of the household. The analysis was therefore carried out at the household level, comparing productive assets and business activities for households with at least one return migrant and households without a return migrant.

The descriptive statistics depicted in Figure 7.4 reveal significant differences between households with and without return migrants when it comes to business and real-estate ownership. Among households with return migrants, 38% run a business, while the corresponding number is 30% for households without return migrants. Return migrant households are also more likely to own non-agriculture land: 68% of households with return migrants own non-agriculture land compared to 52% of households without return migrants.

A regression analysis explored these links in more depth (Box 7.3). The results show that return migration is linked to business ownership, but the link depends on where the household is located. When urban and rural households are analysed together, the link between having a return migrant and owning

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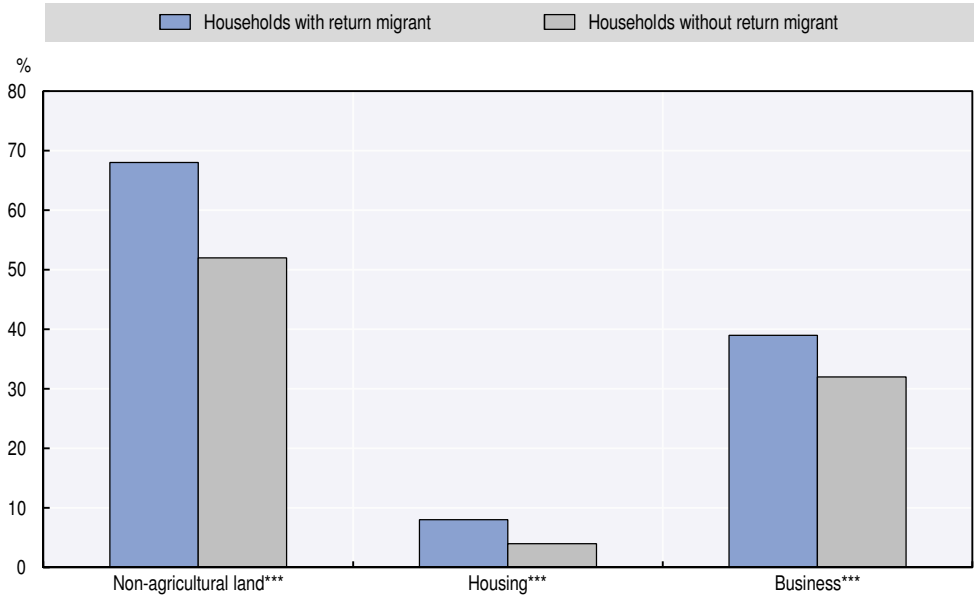
real estate is positive and statistically significant, while no link between return migration and business ownership was found. However, when urban and rural households are analysed separately, a positive association between return migration and real estate is found only in urban areas, while a positive link between return migration and business ownership is found in rural areas. The findings are in line with those found in Box 7.2: investments in real estate seem more prevalent in urban areas. Households with return migrants being more likely to run businesses than those without return migrants in rural areas could potentially be explained by labour market constraints in rural areas. If jobs are scarce in rural areas, return migrants may be inclined to turn to self-employment activities.

Figure 7.4. **Households with a return migrant are more likely to own a business and real estate**

Share of households owning business, housing and real estate (%), by return migration status



Note: Business ownership is defined as the household running at least one business. Statistical significance calculated using a chi-squared test is indicated as follows: ***.99%, **.95%, *.90%.

Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933458469

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Box 7.3. **The links between return migration and productive investments**

To analyse the link between return migration and productive investments, a probit model with the following form was applied:

$$Prob(investment)_{hh} = \beta_0 + \beta_1 return_{hh} + \beta_2 emig_{hh} + \gamma controls_{hh} + \delta_r + \varepsilon_{hh} \quad (1)$$

where $investment_{hh}$ is either business ownership or real-estate ownership (depending on the specification) undertaken by the household . $investment_{hh}$ takes on value "1" if a household owns at least one business/owns real-estate and "0" otherwise. $return_{hh}$ represents a binary variable for return, where "1" denotes a household that has at least one migrant and "0" otherwise. $controls_{hh}$ is a set of observed household characteristics that are believed to influence the outcome.[a] δ_r represents regional (municipality level) fixed effects and ε_{hh} is the randomly distributed error term.

Four different specifications are presented. Specification (1) investigates the link between return migration and household business ownership, controlling for all the household characteristics mentioned above. Specification (2) looks at household real-estate ownership and return migration. Specification (3) presents the results for business ownership only for household in rural areas, and specification (4) presents the results for real-estate ownership in urban areas. Analysis for business investments in urban areas and real estate investments in rural areas was also carried out, but no statistically significant results were found (results not shown due to space limitations).

Table 7.4. **Positive links between return migration and productive investment vary by rural and urban location**

Dependent variable: Household runs at least one business/ owns real estate
Main variables of interest: Household has a return migrant
Type of model: Probit
Sample: All households

Variables of interest	Sample (dependent variable)			
	(1) All	(2) All	(3) Urban (real estate)	(4) Rural (business)
Household has a return migrant	0.030	0.082***	0.116***	0.075*
	(0.027)	(0.027)	(0.036)	(0.042)
Number of observations	1 933	1 930	962	973

Note: Results that are statistically significant are indicated as follows: ***: 99%, **: 95%, *: 90%. Standard errors are in parentheses and robust to heteroskedasticity.

a. The set of household and individual explanatory variables included in the model are the following: household size and household size squared, household dependency ratio (defined as the number of children and elderly in the household as a share of the total members in working age), household head education level, a dummy for urban location (column 1), and finally an asset index (based on principal component analysis) that aims to capture the wealth of the household. .

How do investment policies affect migration?

The relationship between investment and financial service policies and migration is multifaceted. This section investigates how policies related to access to bank accounts and financial training affect remittance patterns.

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Box 7.4. **Investment and financial service policy**

The IPPMD questionnaire asked households to state whether they had benefitted in the five years prior to the survey from a range of policies related to business or financial services (listed in Figure 7.5). However, these questions were only asked to households with businesses employing at least four non-family individuals. The sample size is therefore very limited and these questions are not analysed in this report. The questionnaire also asked if anyone in the household had taken part in a financial training programme in the five years prior to the survey, and whether anyone in the household possessed a bank account. Possession of a formal bank account is a way into the formal financial sector, which can facilitate remittances and other capital transfers, encourage more remittances sent through formal channels, and facilitate access to credit and other financial services. Unbanked households are often subject to higher costs when accessing basic financial services. The community questionnaire had complementary questions to the household survey, asking community leaders about available programmes related to financial training and other financial support to households.

Figure 7.5. **Investment and financial service policies explored in the IPPMD survey**

Note: Economic advantages provided to businesses include tax exemptions, subsidies, and lower export/import tariffs.

Access to the formal financial sector translates into higher levels and more formal remittances

Access to the formal financial sector may facilitate the sending and receiving of remittances and hence encourage more remittances to be sent in general, and through formal channels in particular.

Up until the 1980s, Filipino migrants overseas experienced many difficulties in sending their remittances back home (Business Planners, 2006). Formal banking institutions charged such high rates for sending remittances that

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these transactions were not seen to be financially viable. Banks would normally require formal identification documents for transactions, which migrants in irregular situations overseas could not readily provide. Additionally, as these banks were limited to highly urbanised areas, many of the families of migrants (who mostly lived in rural areas) were unable to access them. This added to the time lag in receiving remittances, and convinced many migrants to send their income through less formal channels (e.g. cargo and courier companies as well as independent money transfer agencies and even recruitment agencies). Although costs were higher, such informal channels required less formal documentation and were able to provide door-to-door delivery, which the migrants greatly appreciated.

Through the efforts of the Central bank, *Bangko Sentral ng Pilipinas* (BSP), to reform the financial sector, the country has seen the emergence of various remittance channels as alternatives to banks. In the last three decades, many independent players have entered the remittance service market in the Philippines, following a growing demand for reliable, safe, convenient, and fast remittance services. Mobile phone technology and web-based services are becoming more and more established, providing a convenience not offered by traditional banks. In many cases, such services do not require remittance receivers to open a deposit or savings account in a commercial bank, and include door-to-door delivery in the local currency, eliminating the need for money changing (Abenoja 2004; Business Planners, 2006). In this context, the challenge is to be able to channel more and more of the cash remittances that migrants send through the formal banking system. Today, all major Philippine banks offer door-to-door services, while most non-bank agents are promoting bank credit-to-account transfers (Business Planners, 2006). There is now a vast array of interrelated services for remittances, with banks, courier services, money transfer agents, and even pawnshops being involved in what is now a multi-billion dollar industry.

The IPPMD survey used the possession of a bank account by a member of the household as an indicator of household access to the formal financial sector. In general, possession of a bank account in the Philippines is fairly low, at around 30% (Figure 7.1). The IPPMD survey found a higher share of households that reported having access to a bank account (48%). This higher value is not surprising as the latter is a measure at household level (whether anyone in the household has a bank account) while the former measures individual access to banking.

Figure 7.6 compares total amounts of remittance received among households with and without bank accounts. These descriptive statistics indicate that households with bank accounts receive on average more than three times more

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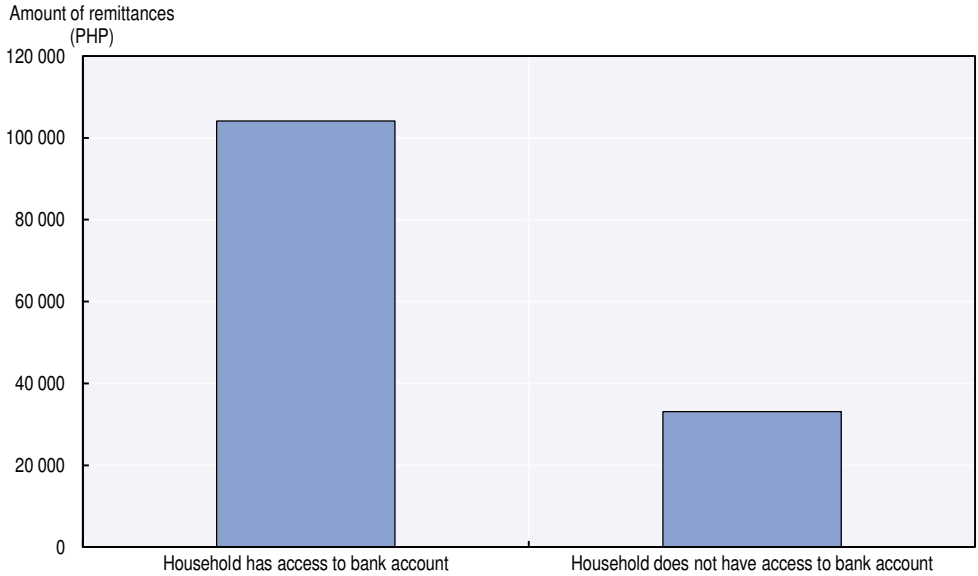
remittances than households without bank accounts. Descriptive statistics also show that a majority of households receive remittances through formal channels, mainly through money transfer operators (61%) or bank transfers (31%). Only about 3% of the households in the IPPMD sample receive remittances through informal channels (informal agents, family and friends or bring the money home with them).

Figure 7.6. **Households with bank accounts receive on average three times more remittances than households without**

Amounts of remittances received (in PHP), by having a bank account or not



Note: Remittance amounts specified in Philippine Pesos (PHP). Households with bank account received on average PHP 104 114 (about USD 2 387) in the past 12 months prior to the survey, compared to households without a bank account who received PHP 33 136 (about USD 760).

Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933458474

Regression results support the hypothesis that access to financial institutions translates into positive effects on the mode of remittance sending and the amount of remittance sent (Box 7.5). Having access to a bank account is associated with a lower likelihood of receiving remittances through informal channels and a higher amount of remittances received by the household and (although only when the amount of remittances is in logged form) (Table 7.4). It is however important to note that the sample of households receiving remittances through informal channels was very small (only 22 households) so the results need to be interpreted with caution.

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Box 7.5. **The links between formal bank accounts and remittance-sending behaviour**

Regression analysis was applied to estimate the effects of bank accounts and financial training on remittance patterns, using the following two models (probit and OLS respectively):

$$Prob(informal_remitt)_{hh} = \beta_0 + \beta_1 bank_account_{hh} + \gamma controls_{hh} + \delta_r + \varepsilon_{hh} \quad (1)$$

$$Ln(amount_remitt)_{hh} = \alpha\beta_0 + \beta_1 bank_account_{hh} + \gamma controls_{hh} + \delta_r + \varepsilon_{hh} \quad (2)$$

where the dependent variable in model (1) and (2) is the amount of remittances the household receives (in USD) in absolute values (column 1) and in logged values (column 2), and in column (3) the probability of receiving informal remittances. $bank_account_{hh}$ represents a binary variable indicating if the household has a bank account, where "1" denotes a household with a bank account and "0" if not. *controls* are a set of observed household characteristics influencing the outcome. δ_r represents regional (municipality level) fixed effects and ε_{hh} is the randomly distributed error term.

Table 7.5. **Households with bank accounts receive more remittances**

Dependent variable: Amount of remittances received/household receives formal remittances
Main variables of interest: Household has a bank account
Type of model: Probit/OLS
Sample: All households receiving remittances

Variables of interest	Dependent variables		
	(1) Amount of remittances received	(2) Amount of remittances received (logged value)	(3) Household receives informal remittances
Household has a bank account	489.0	0.204**	-0.055***
	(444.1)	(0.095)	(0.018)
Number of observations	702	702	736

Note: Results that are statistically significant are indicated as follows: ***: 99%, **: 95%, *: 90%. Standard errors are in parentheses and robust to heteroskedasticity.

Participation in financial literacy programmes is low

Financial literacy can be linked to investment decisions. Better knowledge about savings and investment possibilities can mean remittances are channelled into more productive investments. Investing in business start-ups and business activities also requires business management skills. Financial training is one way to build financial literacy, provide information about business opportunities and encourage more remittances and return migration

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funds to be invested productively. Research has shown that financial training can encourage more remittance savings (Doi, McKenzie and Zia, 2012; Atkinson and Messy, 2015).

The Philippine government has initiated several financial literacy programmes – not only among migrant households and returnees but also among the general population. The Philippine Deposit Insurance Corporation (PDIC), a government entity designed to protect bank depositors through the provision of deposit insurance, has undertaken several financial literacy initiatives (PDIC, n.d.). The PDIC has formulated programmes in collaboration with the Department of Education and the Commission on Higher Education to promote financial literacy among young people by incorporating financial training in public high schools and tertiary education curricula in order to foster a greater sense of savings awareness. The PDIC has also entered into a tripartite agreement with the Government Service Insurance System and the Social Security System to foster greater financial literacy among employees in both the public and private sectors. The *Bangko Sentral ng Pilipinas* also has initiatives to promote financial inclusion, including a special focus on overseas Filipinos and their families. In addition to these government-initiated financial literacy programmes, numerous non-governmental initiatives have been undertaken aimed at families left behind as well as migrants living and working abroad. Notable among these initiatives are those of the Atikha Overseas Workers and Communities Initiative, Inc. (ATIKHA) and Alay sa Kaunlaran, Inc. (ASKI), among others.

Despite these initiatives, few households in the IPPMD sample reported having benefited from a financial training programme in recent years. Only about 4% of households that receive remittances had participated in a financial training programme in the five years prior to the survey, while about 5.5% of households not receiving remittances had taken part in a financial training programme. The pattern looks similar when comparing urban and rural areas (Figure 7.7), and when comparing households with and without return migrants (around 5% of households with return migrants have benefited from financial training). The community survey also shows that only a few communities are covered by financial and business management programmes. Less than one-third of the communities are covered by training in banking and financial tools, and about half by courses in business management. The low supply of financial and business related courses, and the low household participation rates, suggests opportunities are being missed to encourage more remittances to be invested productively.

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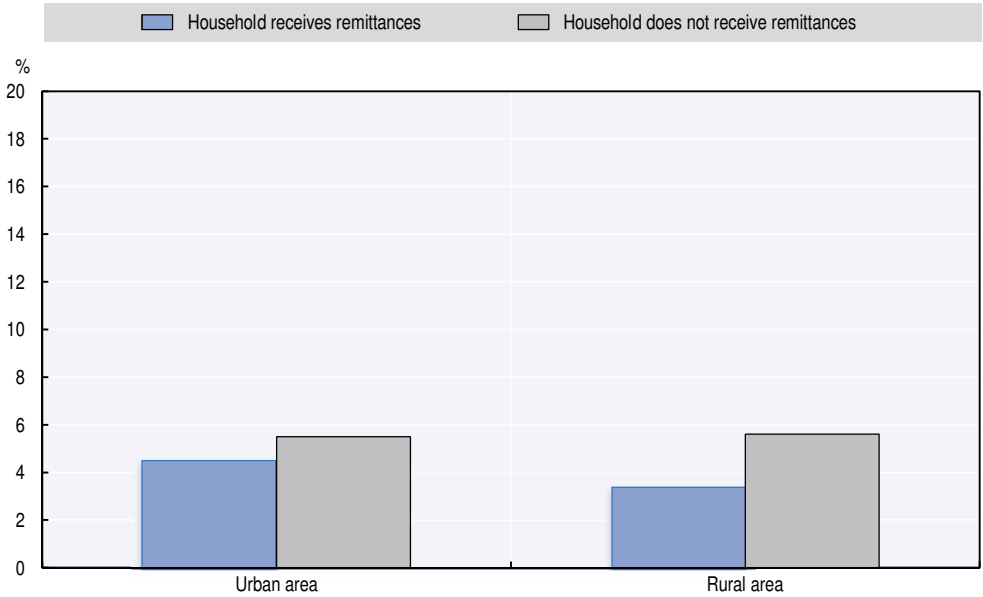
Figure 7.7. **Few households in the sample benefited from financial training**

Share of households receiving financial training (%) in past 5 years, by regional area



Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933458484

Conclusions and policy recommendations

This chapter has examined the link between migration and investments in the Philippines, and the extent to which public policies in the investment and financial service sector may influence migration investment decisions.

The results indicate that migrant households are more inclined to invest in more traditional and potentially safer undertakings such as property, rather than in business. The main reason is likely to be the difficulty of doing business in the country – for both local and foreign investors. More investment-friendly policies, as well as policies that facilitate business creation and operation, are hence important for spurring more investments from remittances and return migration. Some government initiatives to support return migrants' business activities are underway, such as entrepreneurial activities supported by the National Reintegration Center for OFWs, but as the findings in this chapter indicate, more needs to be done to stimulate the use of remittances to promote entrepreneurship. The results also point to particular barriers to real estate investments in rural areas.

Finally, the research reveals that having a bank account is associated with higher remittances and lower use of informal remittance channels. Yet fewer than one in three surveyed households have a formal bank account.

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The low supply of, and household participation in, financial and business-related literacy courses also suggest opportunities are being missed to encourage more remittances to be invested productively. Expanding financial inclusion and providing literacy training would facilitate household saving and investment and strengthen the development impacts of remittances.

Policy recommendations are as follows:

- Policies to promote entrepreneurship – providing support for the various phases of developing, starting and managing a business – should help migrants and their families to overcome investment barriers and stimulate more productive remittance investments.
- A national programme to enhance the financial literacy of Filipinos in general and migrants and their families in particular could also encourage more remittances to be invested productively. Including financial education in the high school curriculum would reach an even broader population. The expansion of financial literacy programmes could be coupled with the development of financial instruments tailored to the needs and the resources of remittance-receivers and return migrants.
- To stimulate more formally sent remittances, policy makers should aim to reduce the number of Filipinos who are unbanked by expanding the presence of financial institutions and delivering financial services beyond more developed and urbanised areas.

Notes

1. Non-bank entities can perform quasi-bank functions and can include investment houses, finance and investment companies, securities dealers and brokers, pawnshops, lending investors, non-stock savings and loan associations, electronic money issuers, remittance agent, credit-granting entities, credit card companies under BSP supervision, and private and government insurance companies (i.e. SSS and GSIS) (NEDA 2011).
2. This chapter only focuses on non-agricultural land, as agriculture and agricultural investments are discussed in Chapter 5.

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OECD Development Pathways

Interrelations between Public Policies, Migration and Development in the Philippines

The *OECD Development Pathways* series helps developing and emerging economies to identify innovative policy solutions to their specific development challenges. Higher levels of well-being and more equitable and sustainable growth cannot be achieved by merely reproducing the experience of industrialised countries. For each of the countries studied, the series proposes options for action in specific policy areas and at the broader strategic level. It identifies the binding constraints to development across all sectors and proposes whole-of-government solutions.

Interrelations between Public Policies, Migration and Development in the Philippines is the result of a project carried out by the Scalabrini Migration Center (SMC) and the OECD Development Centre, in collaboration with the Commission on Filipinos Overseas (CFO) and with support from the European Union. The project aimed to provide policy makers with evidence on the way migration influences specific sectors – the labour market, agriculture, education and investment and financial services – and, in turn, how sectoral policies affect migration. The report addresses three dimensions of the migration cycle that have become an important part of the country's social and economic contexts: emigration, remittances and return.

The results of the empirical work confirm that even though migration contributes to the development of the Philippines, the potential of migration is not fully exploited. One explanation is that, despite its advancement in understanding the link between migration and development which is reflected in the Philippine Development Plan, not all policy makers in the Philippines take migration sufficiently into account in their respective policy areas. The Philippines therefore needs to adopt a more coherent policy agenda and better integrate migration into their sectoral strategies to enhance the contribution of migration to development in the country.

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