Philippines –Why Are OFW Remittances and Deployment Still on the Rise?

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When the first batch of laid off Overseas Filipino Workers arrived at NAIA last year, the government knew it was the first sign of trouble. In the succeeding months, it became even more apparent that the days of mass overseas deployment are nearing an end: the demand for migrant workers has begun to plummet with the global crisis, more and more countries are choosing to hire their own nationals, and destination countries have started to impose quotas on migrant workers.

Projections by the World Bank completed the already dire outlook for 2009: remittance flows to developing countries were expected to decline by 7.3 percent in 2009. East Asia and the Pacific in particular are expected to witness a contraction of 5.7 percent to $74 billion this year in remittances.

It came as a surprise then when, save for a few jittery months at the onset of the crisis, government data showed that in actuality, from January to May, remittances in the country registered $6.98 billion or a 2.8-percent increase from the level recorded during the same period last year.

In May alone, money sent home to the Philippines through banks grew by 3.7 percent to $1.48 billion. Further, based from data collected by the Philippine Overseas Employment Administration (POEA), OFW deployment rose by 25 percent in January 2009 as compared to the same month last year.

What accounts for this unexpected spike in remittances and overseas deployment when all prior indicators painted a different scenario?

Since the signing of Administrative Orders 247 and 248, two key directives for the “exploration of frontier, fertile job markets for the Filipino expatriate workers”, several bilateral agreements and memoranda with countries like Qatar, Saudi Arabia, Canada, France, Australia, New Zealand, Guam and Japan have been signed, expected to bring as much as 50,000 additional jobs this year. New job markets have been tapped, and full blast marketing and migration facilitation has been launched. As a result, the government was not only able to sustain its yearly deployment target, it even registered higher figures despite the crisis. And as GMA happily reported in her State of the Nation Address, this translated to higher remittances this year than the previous year.

There is, however, another side to the story: the nature of remittance flows which makes it far more resilient as compared to exports and investment flows.

As argued by economist Jayati Ghosh, “the patterns of migration and remittances may be more complex than previously imagined. In several countries remittance inflows have actually continued to increase. To some extent, this too can be expected because even if the crisis leads to large-scale retrenchment of migrant workers, they would obviously return with their accumulated savings.”

A closer look at the structure of Filipino labor migration and employment further illustrates why remittances and deployment have not taken a plunge as expected.

First, while sectors of construction, finance, and trade-related industries such as export manufacturing and shipping have been negatively affected by the crisis, the care industry and domestic work has been largely unresponsive to the swings and shocks in the global economy. The demand for nurses and caregivers in countries like Japan, Australia, France and Canada for instance is high due to the equally high proportion of aging population in these countries. And with no local counterparts to meet this demand, it remains a position filled in by migrant workers.

The continued demand for domestic work has also served as a cushion for the Philippine economy: domestic workers still account for the biggest number of Filipinos deployed overseas and are among its biggest and most frequent remitters. According to a report by the Institute for Migration and Development Issues (IMDI) female laborers and unskilled workers contributed as much as P13.082 billion in remittances in 2007, and continue to be among the largest contributors to the economy among the different occupation groups.

Secondly, a big push factor for many Filipino workers is the state of labor and employment back home— a downright dismal affair. A joint report by the UP Center of Labor Justice and Fair Trade Alliance reveals the failure of the Arroyo administration to meet even half of its targeted 1.6 million jobs per year: only 700,000 new jobs were created in 2005, 648,000 in 2006 and 599,000 in 2007. In fact, the one job target that has been met by the government is in overseas employment: the deployment of one million OFWs each year. With no work opportunities available at home, overseas employment is easily the more attractive option for many Filipinos.

Thirdly, since official data shows that the biggest share in remittances came from the United States, accounting for over 50 percent of recorded remittances, one would expect a drastic dive in remittances given the state of the US economy. However, according to the CLJ-FTA report, this may not be accurate. What is usually recorded by the Central Bank is the location of the headquarter of the remitting bank, not necessarily the branch where the original transaction occurred. Since most remittances from various places are coursed through bank headquarters which are primarily located in the United States, remittances end up being registered as originating from the United States.

Lastly, preference for cheap, temporary migrant labor tends to be high in times of crisis. Given the unstable investment climate, subcontract, casual and temporary types of work provide an escape from the payment of severance pay and other benefits that regular workers are entitled to. What this also means, however, is that this group is the most vulnerable in terms of layoffs and job cuts. While it may register a continued increase in demand, it still remains susceptible to the volatility of the economy.

Despite the continued resilience of remittance and migration flows, it will be premature to assume invincibility from the current crisis. For an economy that has become overly dependent on remittance flows, and an administration that has put all its eggs in the migration basket, the situation remains precarious. And when the government has far stretched the limits of its labor export policy a hard landing is certainly forthcoming.

P.S.

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