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Is labor export good development policy?

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Labor migration began to be promoted in the late '60s or early '70s by a number of Asian countries plagued by problems of unemployment, poverty, and scant foreign exchange. However, labor export was generally intended to be a stopgap measure while governments were trying to implement policy reforms to whip their economies into shape. Indeed, labor migration as policy has largely faded in many of our Asian neighbors but remains a major development policy plank in our country. What has made the Philippines specially cut out to be a labor exporter? What are the benefits and costs of migration? Is the export of labor sustainable? Are we content being a labor exporter? Is there a need to rethink the country's labor export policy?

JEL classification: F22, F24, J08, J61
Keywords: migration, labor export, remittances, development policy

"On the highways the people moved like ants and searched for work, for food. And the anger began to ferment."

– John Steinbeck, *The Grapes of Wrath*, 1939

1. Introduction

My aim is pretty modest. It is to provoke a debate on the pros and cons of our country's labor export policy. I thought it's time to initiate or ratchet up the debate because we seem to have acquiesced in being a labor exporter. As you would know, the views on the issue range from hype—"rapid population growth is a good thing because we can export more labor"—to cynicism—"labor export is just some form of legalized human trafficking"!

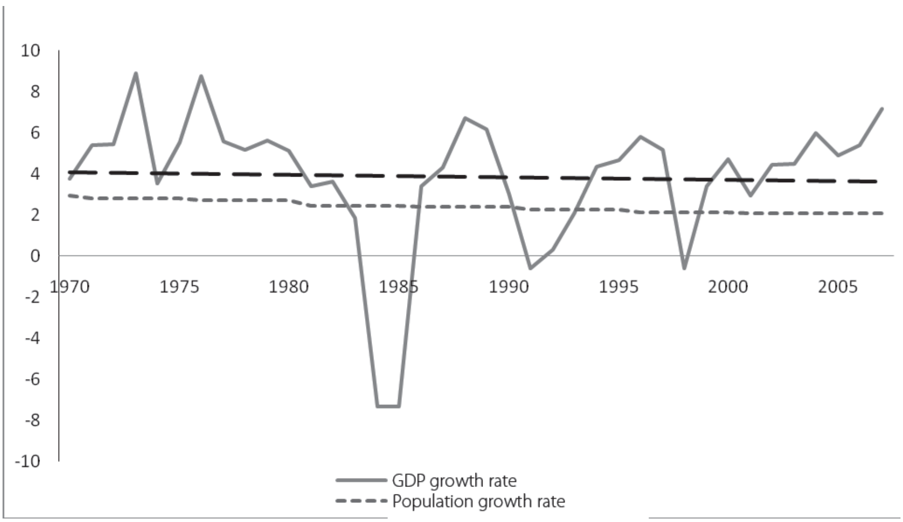
We first ask the question: what has made the Philippines especially cut out to be a labor exporter? Then, we discuss the benefits and costs of international migration and remittances based on the international and local literature, as well as our own analysis of the data. In the concluding part, we'll raise a few questions to mull over.

Migration—internal or international—is an age-old human behavior. That it has accelerated in recent years attests to persisting socioeconomic inequalities across nations, globalization, and demographic structural shifts. Temporary labor migration, with active government promotion, gained traction in many Asian countries in the 1970s. However, labor export was generally intended to be a stopgap measure while governments were trying to implement policy reform to whip their economies into shape. Indeed, labor export as policy has largely faded in many of our Asian neighbors but remains a major development policy plank in our country.

We argue that the Philippines appears to have been especially suited as a labor exporter owing mainly to twin policy failures that are by now stylized facts. On the one hand, unlike the other East and Southeast Asian economies, the Philippines failed to graduate in a timely manner from its postwar import-substitution industrialization policy toward export promotion and economic liberalization. On the other hand, while it was among the first in Asia to adopt a population policy in 1969, it failed to sustain the policy that is practically nil today and continues to hang in the balance in Congress. On the former policy mistake, it's probably reasonable to add that protectionism—which had among its policy instruments exchange and import controls, tax incentives, tariff structure, and selective credit to preferred industries—helped nurture the culture of corruption that appears to be going berserk today.

The consequences of the policy mistakes are well-known—namely, weak long-term economic performance in the face of robust growth of population and labor force. (I hastened to add the corruption angle here because of the remark from some quarters that our backwardness is due to corruption, which I completely agree with, and that rapid population growth is a non-issue, which I strongly dispute.) Figure 1 shows the country's (a) real gross domestic product (GDP) growth rate year-to-year that appears in a roller-coaster pattern; (b) long-run ("natural") GDP growth rate over the period 1970-2006, which looks virtually flat at about 4.0 percent throughout;

and (c) population growth rate over the same period that diminishes slowly from 3.0 percent to 2.1 percent. The difference between the upper and the lower broken lines is of course the long-run average ("natural") GDP per capita growth rate of 1.45 percent over the three-and-a-half decades. Unimpressive! Muddling through seems to be what we've been used to, like the wanton debauchery of our institutions that we seem to be getting accustomed to.

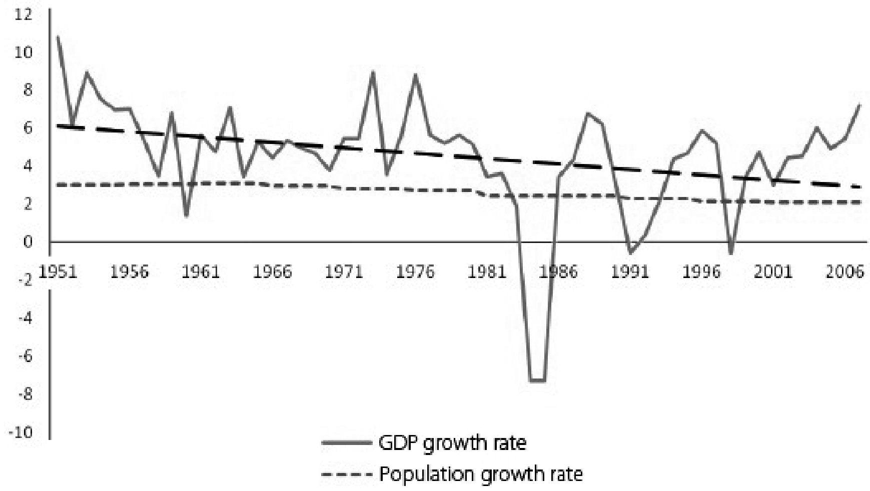


Source: United Nations Statistics Division.

Figure 1. GDP and population growth rates, 1970-2006 (in percent)

If we take a longer-term view, 1951-2006 (Figure 2), the picture is even more disconcerting as average GDP per capita growth had been on the downtrend, as economic performance was better in the '50s through the '60s.

The next four graphs (Figures 3-6) compare the Philippines' real GDP per capita long- term trend with some of its Asian neighbors from 1950 to 2003. Figure 3 shows Malaysia parting ways with the Philippines as early as the early '70s. Figure 4 shows that Thailand caught up with the Philippines in the early '80s and said bye-bye thereafter. Figure 5 shows Indonesia and the Philippines intersecting in the early '90s, and finally Figure 6 presents China zooming past the Philippines in the latter part of the '90s.



Source: United Nations Statistics Division.

Figure 2. GDP and population growth rates, 1951-2006 (in percent)

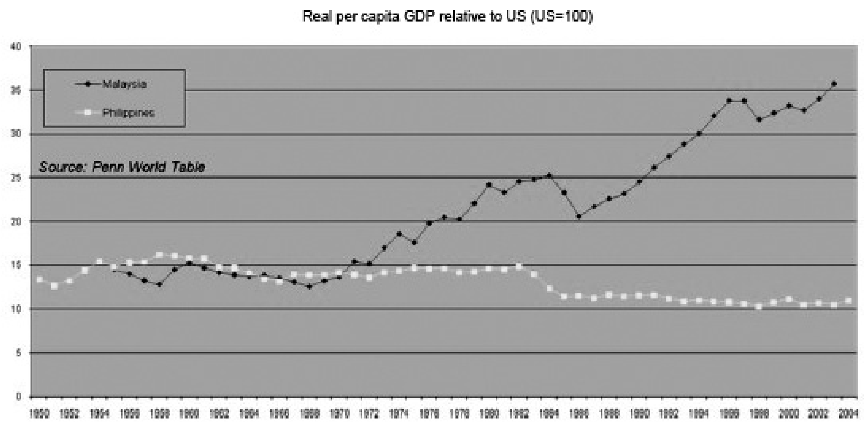
2. Export of labor as policy

The Philippine government's policy to promote overseas employment began with President Marcos's Presidential Decree (PD) 442, known as the Labor Code of 1974. This aimed to ensure "the careful selection of Filipino workers for the overseas labor market to protect the good name of the Philippines abroad". Labor export was given further impetus in June 1978 with PD 1412, in which Article 12 says: "It is state policy to strengthen the network of public employment offices and rationalize the participation of the private sector in the recruitment and placement of workers, locally and overseas, to serve national development objectives." Thus were created the Overseas Employment Development Board (OEDB) and the Office of Emigrant Affairs (later the Commission on Filipinos Overseas), which were charged with the promotion, development, and regulation of Filipino overseas employment. In March 1982, the President issued Executive Order (EO) 797 that reorganized the Ministry of Labor and Employment and created the Philippine Overseas Employment Administration (POEA), which assumed the functions of the OEDB and the National Seamen Board.

In March 1991, President Corazon C. Aquino issued EO 450 lifting the ban on new applications for recruitment agencies (earlier suspended by

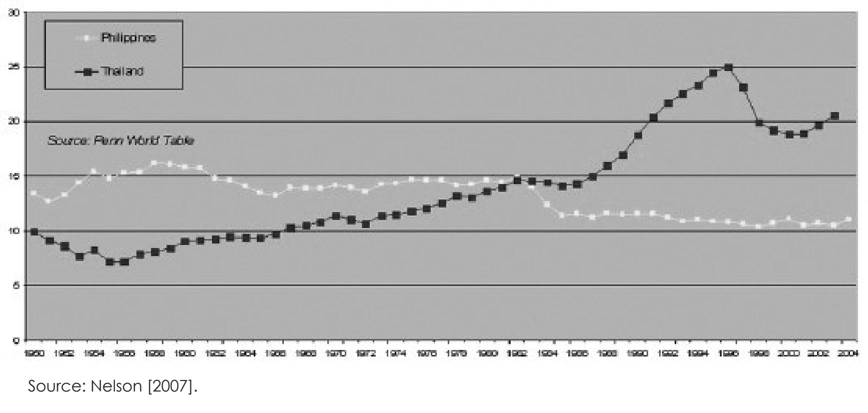
President Marcos's Letter of Instruction [LOI] 1190) to take advantage of new markets for Filipino labor, opening the recruitment market to new players and competition, and potentially increasing the inflows of "much needed" foreign exchange.

In recent years, there has been much hype about the surge in remittances. It has boosted the peso, eased the debt burden, tamed inflation, and contributed in general to a rosy picture of the economy. These positive outcomes have encouraged the government to push further the policy of labor export, highlighted by President Gloria Macapagal-Arroyo's creative idea that the country should develop "super-maids" for employment in the advanced countries. She promoted OFWs to the status of Filipino "expats"!



Source: Nelson [2007].

Figure 3. Malaysia and Philippines, 1950-2003, real per capita GDP relative to US

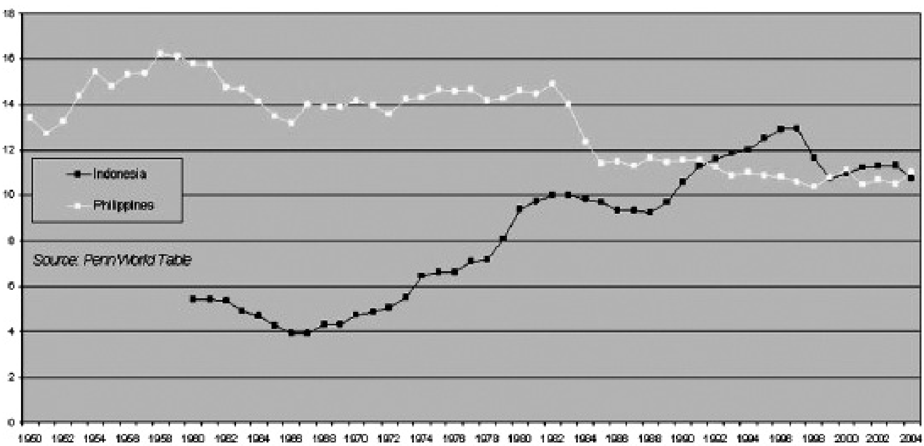


Source: Nelson [2007].

Figure 4. Thailand and Philippines, 1950-2003, real per capita GDP relative to US

3. Migration

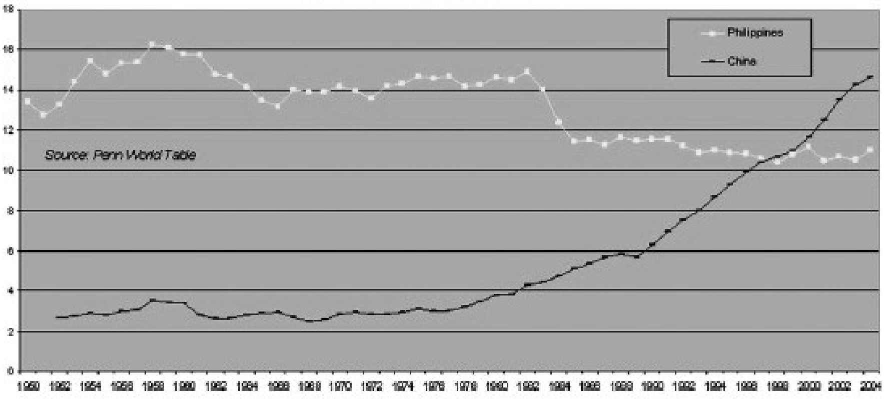
Because international migrants typically are among the better-educated and experienced workers in the home country, their departure often results in a disruption of economic activity. And even when the vacancies are filled, the situation may not be the same as before, as reflected in the quality of goods and services. A deterioration in quality would not be unusual, as is apparent in the quality of education and health services in the Philippines owing to the departure of highly trained teachers and health workers. For instance, health indicators are now lagging behind the Southeast Asian average despite the fact that the Philippines leads in the training of health professionals.[1] However, the deterioration could also be partly due to diminished real budgets for social services [Manasan 2004] owing to the country's less than impressive economic growth and fiscal deficits.



Source: Nelson [2007].

Figure 5. Indonesia and Philippines, 1950-2003, real per capita GDP relative to US

[1] For example, while infant mortality rate had dropped to 29 per thousand in 2001, it is higher than those in Malaysia and Thailand; moreover, as much as 40 percent of women deliver babies without an attending physician, nurse, or midwife.



Source: Nelson [2007].

Figure 6. China and Philippines, 1950-2003, real per capita GDP relative to US

Concerning the brain drain issue, some studies (e.g., Adams [2003]) find that international legal migration is largely the movement of educated persons, with the large majority of those moving to the United States and other Organisation for Economic Co-operation and Development (OECD) countries having secondary schooling or higher. However, they claim that although migrants are well educated, international migration does not take away a very large share of a country's best educated (in general, less than 10 percent of the college-educated or higher). Nonetheless, these studies admit that for a few labor-sending countries, international migration does result in brain drain.

Indeed, other authors argue that international migration leads to a significant loss of highly educated persons for a wide range of countries (Lowell [2002]; Lucas [2005]). Tan [2007] notes that, in the case of the Philippines, there is a creaming off of highly skilled nurses and blue-collar workers; to the extent that the education-training system is unable to produce comparable replacements, at least in the short to medium term, brain drain ensues.

In general, however, the losses to labor-exporting developing countries are not exactly easy to quantify. One aspect is the loss of public funds invested in the education and training of those who migrate, particularly permanent emigrants, which is a good argument for the need to reform the financing of tertiary education. Still and all, it can be argued that the brain drain is probably not an unmitigated bane as there are compensating benefits, such as remittances, other beneficial links that the emigrants maintain with the home country, as well as return migration.[2]

A World Bank study analysing cross-country data [Adams and Page 2005] shows that international migration exerts a strong negative effect on poverty. For example, a 10 percent rise in the share of international migrants in a country's population is associated with a 1.9 percent decline in the proportion of the population living below a US dollar-a-day poverty line.

4. Psychosocial costs of migration

While the economic costs and benefits of labor migration are relatively well known, this does not seem to be true of the psychosocial costs to migrants and their families. One early study [Fasick 1967] finds that the children of migratory agricultural workers in the United States suffer from severe educational retardation as they have to substitute for the work of their absent parents. Similarly, a Mexican study [McKenzie 2006] points out some unfavorable effects of migration, such as on child care (less breast-feeding and uncompleted schedule of vaccines). Another Mexican study [Aguilera-Guzman et al. 2004] notes that the children of migrants are more susceptible to such problems as drug abuse and absenteeism or dropping out of school. A Caribbean study [Crawford-Brown and Rattray 2002] finds that children left behind are likely to suffer from such emotional and psychological problems as depression, withdrawal, and running-away behavior due to the lack of parental contact and supervision.

A Philippine study [Scalabrini Migration Center 2005] notes that the separation of parents due to migration often results in family breakdown. Apart from the psychosocial disadvantages that befall the children, OFWs themselves have to bear various psychosocial costs in their workplaces. Other studies report that with the feminization of migration, female OFWs, in particular, are subjected to violence and abuses in various parts of the world [Estopace 2002]. Women hired as domestic helpers and entertainers are especially exposed to serious hazards to health and life, including sexual harassment and exploitation, rape, and sexually transmitted diseases and HIV/AIDS [Asis, Huang, and Yeoh 2005].

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[2] Good examples are the Chinese and Indian diasporas that are playing an important role in the continuing rise of foreign direct investments (FDIs) into China and India. Likewise, both countries are experiencing return migration, either permanent or circular.

5. Remittances

Remittances to developing countries are reported to have risen more than fivefold from US$ 30 billion in 1990 to US$ 170 billion in 2005 [World Bank 2006]. The Philippines is reputed to be the world's fourth highest remittance-recipient country after India, China, and Mexico. In 2006, remittances were officially recorded at US$ 12.8 billion—up 20 percent from the preceding year—and totaled US$ 14.4 billion by the end of 2007. By end 2008, the figure could hit roughly US$ 16 billion, representing more than 10 percent of GDP—the highest among the four countries.

The same World Bank cross-country analysis [Adams and Page 2005] cited above finds that the level of international remittances is significantly associated with poverty reduction. On average, a 10 percent increase in the share of remittances in a country's GDP is associated with a 1.6 percent drop in poverty incidence.

In general, however, since labor migrants tend to come from the not-so-poor households, it is the lower-middle to middle-income families who directly gain from remittances. Indeed, a fairly large Latin American study [Acosta, Fajnzylber, and Lopez 2007] covering 11 countries finds that the proportion of remittance-recipient households who are poor varies considerably across countries. Only in some countries are remittance recipients predominantly poor, as in Mexico and Paraguay where 61 percent and 42 percent of recipient households, respectively, belong to the poorest-income quintile. The poorer households could benefit from remittances mainly in subsequent rounds via multiplier effects from increased consumption and investment spending. The size of the multiplier effect may hinge on whether remittances are received by rural or urban households, with the former typically consuming more local products, thereby creating a larger multiplier effect [Adelman and Taylor 1990].

The same Latin American study finds that remittances appear to lower poverty levels although the impact varies across countries and, on balance, tends to be modest.[3] A study on Guatemala [Adams 2006] shows that internal or domestic remittances tend to reduce poverty somewhat more than do international remittances. Another study on Lesotho [Gustafsson and Makkonen 1993] finds that if not for remittances, 11-14 percent more households would fall below the poverty line.

[3] The Latin American countries include Bolivia, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Paraguay, Peru, and the Dominican Republic

A Philippine study [Sawada and Estudillo 2006] reports a similar outcome for the Philippines as remittances represent an income transfer to poor households and an increase in gifts to other households. However, other Philippine authors (Rodriguez [1998];Tullao, Cortes, and See [2007]) observe that remittances result in higher income inequality, as they tend to benefit more the higher-income deciles.

Researchers on other countries argue that the inequality effect is not straightforward. Some [Chimhowu, Piesse, and Pinder 2003] observe that remittances increase inequality and social differentiation between recipient and nonrecipient households. Others [Carling 2005], on the other hand, claim that migration and remittances would initially worsen inequality when migration costs are high but would eventually improve it as lower-income households are able to afford the lower migration costs. The consensus seems to be that the effect of remittances on inequality depends on the opportunities for migration.

One curious issue is the extent to which family members in remittance-recipient households reduce their work effort—a moral hazard effect on labor supply. There is evidence of a decline in labor force participation among remittance recipients—more among females than males—in El Salvador [Acosta 2007] and in the Philippines (Rodriguez and Tiongson [2001];Tullao, Cortes, and See [2007]), with the gender effect depending on whether the wife or the husband is the recipient [Cabigen 2006]. But this appears to be matched by an increase in entrepreneurial activities, such as microenterprises for women and self-employment for men (Acosta [2007];Yang [2004]).

The extent to which remittances are spent on consumption or on investment continues to be a debated issue. But remittances are a fungible resource to the recipient household. Hence, the issue is not whether the money received is actually invested but whether households whose incomes are increased by remittances save more and such savings become available for investment in the local or macro economy. One author [Adams 2006] finds that households receiving internal and international remittances in Guatemala spend less of their incremental income on consumption than do households without remittances. Another author [Mansuri 2007] finds that in Pakistan households with return migrants invest significantly more compared to nonmigrant households and those whose migrant members are still working abroad.

Expenditures on education, housing, and land are, of course, also important forms of investment.[4] A Pakistani study [Mansuri 2007] observes that remittances have a positive and significant effect on child education and health, with a gender-equalizing effect as the gains for girls are appreciably greater than those for boys. Moreover, with better access to schooling, children in remittance-recipient households tend to work substantially fewer hours.

In Latin America overall, the effect of remittances on the educational attainment of children is generally restricted to children with low levels of parental schooling. In El Salvador, remittances prolong a child's education [Edward and Ureta 2001]. As to health outcomes, in Guatemala and Nicaragua remittances positively affect children's health, especially in poor households.

A study on the Philippines [Yang 2004] finds that households whose overseas workers experienced favorable exchange-rate shocks (during the Asian financial crisis) were able to reduce child labor, increase educational spending, improve child schooling, and afford higher ownership of durable goods. Another Philippine study [Tullao, Cortes, and See 2007] notes that remittances lead to higher human capital investment (education and health).

At the regional level in the Philippines, the more developed regions send more OFWs than the less developed ones, resulting in appreciably greater shares of total remittances going to the former [Pernia 2006]. However, OFWs from the poorer regions tend to remit home bigger average amounts than those from the richer regions. Thus, while remittances may contribute to a widening of the economic disparities across regions, they appear to lift the well-being of poor households even in the lagging regions.

At the macroeconomic level, remittances have greatly helped alleviate fiscal deficits, external debts, trade imbalances, and scant FDIs in developing countries. Foreign exchange inflows, however, often exert upward pressure on prices, requiring skillful monetary management although in the Philippines with its dependence on imports, the effect on prices appears to have been the opposite. Moreover, these inflows may spur a real appreciation of the exchange rate, thereby constraining the development of export-oriented and import- competing industries.

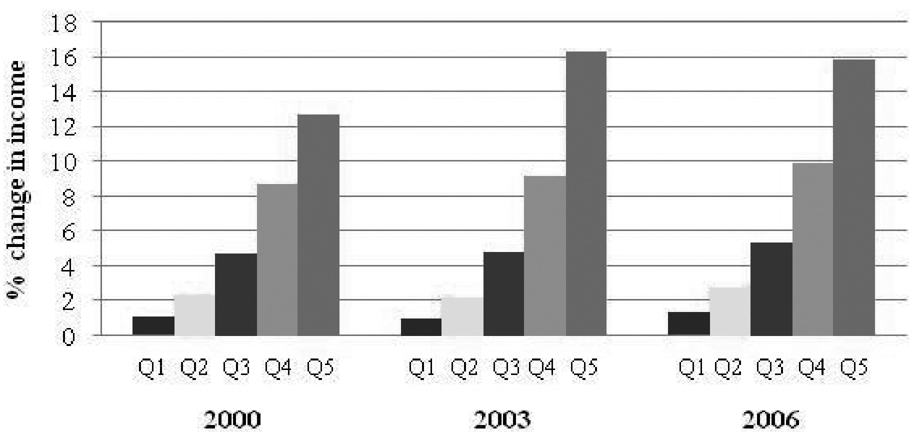
[4] These investments reflect a rational behavior on the part of the family particularly when the investment climate is unfavorable or other investment vehicles are not readily available.

This phenomenon has been likened to the "Dutch disease" problem of Indonesia brought about by the boom in oil exports income, as observed in a number of Asian countries [Quibria 1986], El Salvador [Acosta, Lartey, and Mandelman 2009], Jamaica [Bussolo and Medvedev 2007], and Latin America in general [Lopez, Molina, and Bussolo 2007]. Further, the remittance windfall may have a moral hazard effect as the government softens in pursuing policy reform or improved governance while people are lulled into complacency, as appears to be happening in the Philippines.

6. Analysis of Philippine data (2000, 2003, and 2006)

6.1. International remittances and domestic incomes

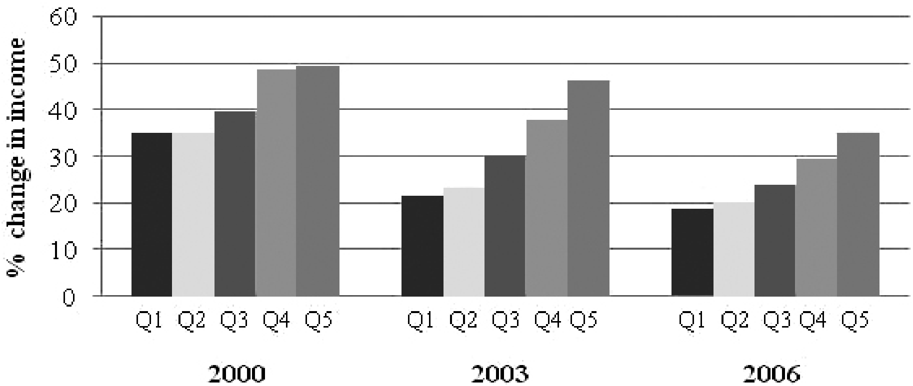
The mean remittance amount received by households increases monotonically with income quintile and consistently over time (2000, 2003, and 2006). Thus, the positive effect of remittances on household incomes also rises monotonically from about 1.4 percent for the lowest quintile to 5 percent for the middle quintile and about 15 percent for the top quintile, as shown graphically in Figure 7.



Source: FIES, LFS, and SOF merged data.

Figure 7. Percentage change in household income due to remittance by quintile (all households), 2000-2006

If we consider remittance-receiving households only, the poorest quintile has the lowest share (4-7 percent) of households receiving remittances, and this goes up consistently to 36-45 percent for the richest quintile. The impact of remittances on household incomes is indeed larger for all income groups but still greater for the upper quintiles than for the lower ones, rising from 35 percent for the first quintile to 49 percent for the fifth in 2000. In 2003 and 2006, the effect of remittances appears more muted for all quintiles but still rising steadily from about 20 percent for the poorest to 35-45 percent for the richest, as shown in Figure 8. (Note that the numbers on the vertical axis are much bigger in Figure 8 than in Figure 7.)



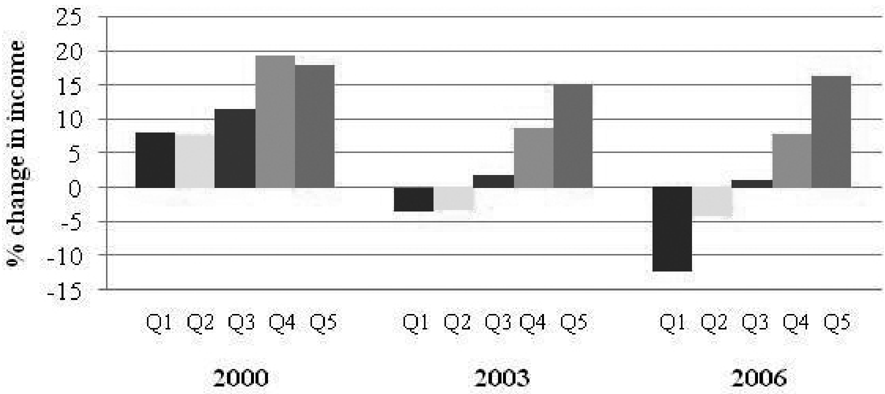
Source: FIES, LFS, and SOF merged data.

Figure 8. Percentage change in household income due to remittance by quintile (households with remittance), 2000-2006

A Mexican study [Latapi and Janssen 2006] finds that while the mean remittance amount also increases with income quintile for remittance-receiving households, as in the Philippines, remittances raise by 426 percent the household incomes of the poorest quintile, dropping monotonically to 30 percent for the richest quintile. The substantial positive impact of remittances on the poorest in Mexico can be explained by the fact that as much as 61 percent of all households receiving remittances fall in the bottom quintile, the highest in Latin America, followed by Paraguay at 42 percent. This is not the case in the Philippines where larger proportions of remittance-recipient households belong to the upper-income groups and only about 5 percent are in the bottom quintile.

6.1.1. Remittances adjusted for foregone domestic earnings

The welfare-enhancing effect of remittances shown above may be overstated as it does not consider the counterfactual—namely, what if the migrant, who was earning prior to leaving, had stayed home? This means that household total income sans remittance would be reduced by the departure of the migrant.[5] The adjustment reveals that the effect of remittances on household incomes is much more modest. Worse, the adjusted with-remittance incomes for the first and the second quintiles in 2006 are reduced by 12 percent and 4 percent, respectively, although less so in 2003, as Figure 9 shows.[6] Still, the welfare-enhancing effect of remittances rises consistently with income quintile.



Source: FIES, LFS, and SOF merged data.

Figure 9. Percentage change in household income adjusted for domestic earnings foregone due to migration (households with remittance), 2000-2006

[5] Mean nonremittance income per capita seems like a reasonable proxy for migrants' average foregone domestic earnings as, in all likelihood, not all migrants were employed prior to departure for such reasons as overqualification for available jobs, discouraged worker phenomenon, preoccupation with departure plans, etc.

[6] Perhaps due to the assumption that at least one household member was earning average income prior to departure, which may not be true of the first and second quintiles.

6.2. Remittances and poverty reduction

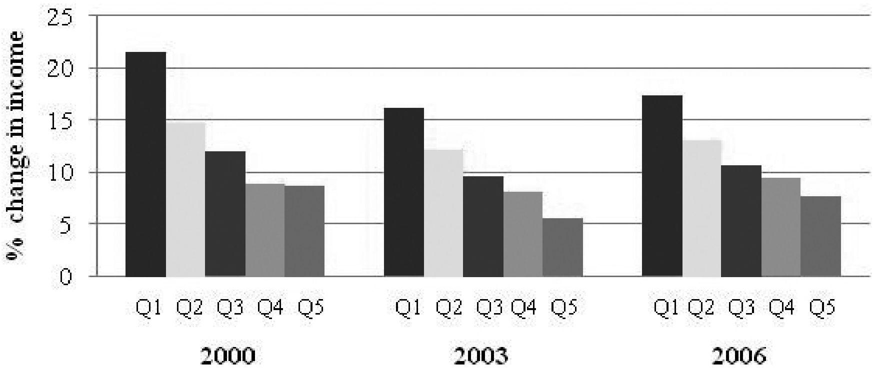
The analysis can also be done in terms of how remittances matter in poverty reduction. In the absence of remittances, there would have been more than 26 million persons (or 33.3 percent of the total population) considered poor in 2003 (according to the official definition of poverty) belonging predominantly to the first two quintiles. In 2006, the corresponding numbers were more than 30 million persons (or 36 percent of the total population). But with remittances, poverty headcount was lower at 24 million and poverty incidence at 30 percent in 2003, and 27 million and 32 percent, respectively, in 2006. In other words, remittances helped reduce poverty by 2-3 million persons. Still, poverty incidence was only slightly reduced for the first two quintiles but practically wiped out for the upper quintiles.

On the whole, the poor households appear to benefit from remittances but only modestly compared to the richer households. Given that bigger proportions of the upper-income groups receive remittances and, indeed, greater average amounts, the beneficial effect of remittances is skewed in their favor. A similar modest effect is reported in Latin America, except in Mexico and Paraguay where large proportions of remittance-receiving households belong to the bottom quintile.

6.3. Internal remittances

Apart from international remittances, households do benefit from internal (or domestic) remittances as well. The data show that the proportion of households receiving internal remittances is highest for the bottom quintile at 43-56 percent for 2000 and 2006, respectively, and declines consistently to 20-31 percent for the top income group. And while the average remittance amount still increases monotonically with income quintile, the effect on household incomes is the reverse of that to the international remittances: it is strongest for the poorest at 17-22 percent, dropping also consistently to about 8 percent for the richest, as portrayed in Figure 10.

It thus appears that internal remittances are, at the margin, both more welfare-enhancing for the lower quintiles and inequality-improving than are international remittances, which is consistent with the finding for Guatemala [Adams 2006]. This is attributable to the fact that a good deal of internal migration is made up of rural-urban migrants who may work in lowly occupations (e.g., domestic help) but are nonetheless the principal sources of support to poor households in rural areas.



Source: FIES, LFS, and SOF merged data.

Figure 10. Percentage change in household income due to domestic remittance (households with domestic remittance), 2000-2006

7. Econometric analysis

7.1. Remittances, household incomes, and poverty

To enhance the descriptive analysis, we carried out econometric analysis to address the question: to what extent can remittances raise household incomes and alleviate poverty, and influence investment in human capital, labor force participation, and household saving, controlling for the confounding influence of other variables?[7] Here, we present the main results.

The effect of remittances on household incomes is positive and highly significant, controlling for the education of household head, dependency ratio, and the income class of the province of residence. Further, our analysis shows that the share of remittances in household income raises the likelihood of a household getting out of poverty, other things being equal.

Remittances also strongly influence education spending per school-age child, controlling for nonremittance income besides the other variables. Similar results are revealed in the case of health care expenditure per

[7] The procedure is discussed at length in the main paper.

household member. To illustrate, remittance-receiving households are able to spend Php 1,788 more for education per child compared to households that do not get remittances; the corresponding incremental amount for health care is Php 668 per household member.

Other things being equal, remittances appear to exert a negative effect on the share of employed persons in the household. This negative effect on total household work effort may be interpreted as a complacency effect, as also reported by earlier studies on El Salvador [Acosta 2007] and on the Philippines by other authors (Rodriguez and Tiongson [2001]; Tullao, Cortes, and See [2007]). Alternatively, it may be that children, who used to work, stop working as remittances enable them to go to school.

Further, remittances, ceteris paribus, appear to have a positive and significant effect on household saving behavior.

7.2. Remittances and regional development

The question of whether remittances contribute to development at the local or community level can be examined through analysis of regional data. Based on the literature review, the hypothesis is that remittances benefit not only the recipient households directly but also the nonrecipient households in the local economy via the multiplier effects of increased spending by remittance-recipient households.

Our analysis shows that remittances have a positive and significant effect on the well- being of poor households, as reflected in higher family spending per capita of the poorest 40 percent of households, controlling for the effects of other variables. To illustrate, an increase of Php 1,000 in remittance per capita results in Php 1,789 additional annual family spending per person among the poorest quintile. Roads, education, and health also appear to be particularly important factors that improve the poor's welfare; by contrast, overall increases in gross regional domestic product (GRDP) per capita (or regional development per se) do not seem to matter to the poor's well-being.

Remittances appear to contribute significantly to regional development through increased spending for consumption, human capital and housing investments, and consequent multiplier effects. However, because the more advanced regions tend to get bigger shares of the total, remittances may contribute to regional divergence rather than convergence (Go [2002]; Pernia [2006]). As expected, roads, water, education, and health infrastructures are critical to regional development.

Does the positive impact of remittances on expenditures or incomes of the poor in the regions mean poor people getting out of poverty? Consistent with the results discussed above, the answer is yes. To illustrate, a 10 percent increase in the share of remittances in household income is associated with a 2.6 percent rise in the proportion lifted out of poverty, controlling for other variables (such as education and health).

8. Conclusion and policy implications

We took off from the premise that the Philippines appears to be stuck as a labor exporter owing mainly to twin policy mistakes: (a) a long-lived import-substitution industrialization policy, whose protectionist policy instruments probably helped nurture the culture of corruption that has permeated the social fabric, and (b) a short-lived population policy. The consequence, of course, has essentially been and continues to be too many Filipino workers chasing too few jobs in the domestic economy.

On the whole, international remittances appear to have greatly helped Philippine households and communities muddle through over the past three decades or so. However, it seems that labor export cannot be relied upon as a policy for reducing poverty, redressing income inequality and, for that matter, fostering the country's long-run development. If it could, why has the country just been muddling through for the past three decades or so? In the coming years, as the global labor market demands higher-level professional and technical workers, and to the extent that—rather, if—labor supply can respond, remittances could result in persisting social inequality. We should realize, though, that our human capital industry has its limits.

Likewise, although remittances seem to have greatly benefited the macro-economy in terms of its external current account, debt service, and some unemployment relief, the remittance bonanza appears to have made it convenient for the government to shirk difficult policy reforms. Other Asian countries, such as South Korea, Taiwan, and Thailand, which adopted labor export as a temporary measure, pursued policy reforms directed at both the labor demand and supply sides, enabling their economies to move up to rapid and sustained growth paths.

Migration is arguably causing brain drain, not to mention the psychosocial costs borne by the migrants themselves and their families left behind. It seems obvious that continued reliance on labor export is bound to further compromise the country's human capital requirements for long-term development.

Is the export of labor sustainable? Are we content with the "blue-collar" business of exporting labor? If we are, what needs to be done to stretch the limits of our human capital industry? If we are not, what's the alternative? In general, is there a need to rethink our country's labor export policy?

We should perhaps demand that those aspiring to be the next president be made to convincingly respond to these and related questions.

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