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OFW: Migration and Development

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Abstract

This paper attempts to review the Overseas Filipino Worker (OFFW) phenomenon through selected aspects of it --- past and present trends, structural issues, and development context. While the OFW system appears to be beneficial to the county, it is overrated. It is unclear what policies were really set in place to eventually phase it out. While it alleviates poverty, whether poverty reduction is permanent is also unclear. Structurally, the OFW profile shows a "cream of the crop" relative to the labor force and tend to deploy more females creating problems with those left behind. The development context compares the experience of the Philippines with other countries which were able to turnaround from being net sources of migrant workers to net absorbers. Three development policies are explored to partly explain the divergence between migrant worker movement in the Philippines and others.

JEL Classification Code: F1, F2, J3, J6, O4

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I. Introduction

The Overseas Filipino Worker (OFW) phenomenon in the Philippines has had half-a-century i.e., more than a generation of implicit policy tolerance if not encouragement. From an original view as a stop-gap measure while structural reforms were taking place for the economy to eventually absorb significant increments in the labor force, such a generation of experience has also created its own sub-culture. In this paper, we attempt to review this phenomenon through selected aspects of it. In the process we identify some gaps in research and analysis and lay out our own approach to them.

The argument advanced in this paper is that while the OFW system appears to have been beneficial to the country it is overrated. There is limited evidence that poverty rates have been falling among families with OFWs, overseas employment has expanded if not exploded, and remittances have continued to beef up the reserves of the country. Yet despite the magnitude of its positive impact, some of the critical questions remain unanswered. There remain structural issues that plague the Philippine diaspora persisting over a long period. Some of these seem to have exacerbated though empirical evidence is weak. There is a need to pivot the phenomenon towards an equilibrium where the matter of migrating whether permanent or temporary becomes more a real choice and preference rather than a forced necessity. Whether this will happen in the second half-a-century is briefly elaborated.

In the next section we quickly review past trends and focus on the counter-factual dynamics of the original stop-gap rationale for the emergence of the OFW. There is a need to understand the shifts in policies that occurred and how they would have changed the course of the phenomenon. There is a gap in the research which must be investigated if only to find real closure. After all, the persistence of the OFW phenomenon over a long period of time when other economies which thrived in such similar conditions have achieved higher levels of development since. An enlightened empirical exploration of the historical OFW dynamics would aid in providing broader policy mixes that would otherwise be unavailable.

Section III identifies several structural issues. These emanate from looking at the typical OFW profile, the geographical destinations of migrant workers, their underlying mobility, and the sub-culture that evolves. These structural issues appear to have been invariant in much of the period since migration began and may have even worsened. Others which beset migration (e.g., the brain drain) may have been mitigated by external developments such as the Internet and advances in telecommunications. The long and short of these structural issues is that these have prevented a lasting "solution".

In the fourth part, we examine the development dimension of the OFW. The migration of workers (labor) can be viewed as a factor of production crossing borders for employment. An interesting theorem of trade is that such factor movement somehow substitutes for the movement of goods (that would have been produced by the migrant workers) influencing factor prices. But what is tradable and non-tradable has become fuzzy with technological advances. Apart from zeroing on this construct, we investigate other factors that have contributed to how migration has related to development. Among these would be the importance of exchange rate policies especially in transforming an economy, the flow of foreign direct investments (or their substitutes), and policy advice. We look at the trend of merchandise exports and compare the Philippines with 3 of the tiger economies and 3 of the emerging economies, as well as the new economy of Viet Nam. Both historical and contemporary data indicate possible hypotheses that suggest the context of OFWs.

In V, we summarize and draw several conclusions partly assessing the horizon in the next 50 years of the OFW phenomenon. It is of course true that in regions where labor is free to move as part of overall freer trade migration has not really seen substantial uptick. The migration in the European Union (EU) for example has not been as stark as shown by the OFW – but whatever there is appears to be natural preferences rather than necessary adjustment. In the long run (one can guess this must be more than 50 years), the migration patterns may turn out to be equilibrating. Villegas (2023e) alludes to migration being a real social preference. What is at question is whether it will have characteristics analogous to what we have seen in the past half-a-century. Maybe it will turn out (and one can wish it) to be of a different character where we can envision more permanent migration and fewer temporary and cyclical migration. This would probably be the ultimate demise of the OFW phenomenon. On the other hand, to the extent that the drivers of the migration remain sticky, and the structural issues persist, there is likely to be no escape from the OFW as we know it, its sub-culture lingers, and the underlying behavior becomes inter-generational with all its deleterious effects on the economy at large and in general overall development.

II. OFW Trends: Brief Review

If the rationale for the emergence of the OFW had a strong policy foundation, there does not appear to be a sufficient trail on paper or in clear references. Indeed, the international economic environment in the early 70s was common not only to the Philippines but most of labor abundant, capital scarce Asia. With petro-dollars awash mostly in the Middle East, it went on a construction frenzy to develop individual countries. And the Philippines along with South Korea was one of the early labor abundant countries to send construction workers by the mobilization of private companies to undertake contracts. There were several construction firms (e.g., EEI and FFCruz) which garnered Middle East contracts and sent Filipino workers as contract workers (known then as overseas contract workers or OCW). This modality was short-lived as overseas recruitment was decentralized and deployment sourced from the destination countries in terms of contract provisions, wages and benefits, repatriation and other conditions which the government had limited reach. Not only did this have implications on measuring flows of foreign exchange but weakened controls and supervision of workers[1].

What was behind the shift in policy relating to OFW still needs to be fully understood, the dynamics discovered, and its context with the overall framework detailed. It is not quite clear that there was in fact measures underlying the stopgap for OFW rationale. Yet there was sufficient knowledge base at that time to formulate a transition mechanism for terminating OFW deployment. Indeed the 1975 *Ranis Report* laid out in general and specific ways for the Philippine economy to generate employment of a scale to mop up unemployment and underemployment thus reducing the necessity of relying on overseas deployment (Ranis 1975). The report's focus on employment suggests that any temporary transition would have an underlying direction with a systematic empirical framework. Two publications followed thereafter reinforcing the knowledge base (World Bank 1975; Bautista and others 1979). All the while the Tiger economies of Hong Kong, South Korea, Singapore and Taiwan were equally pursuing development strategies to avoid reliance on migration as development tool.

It is fairly evident that the OFW phenomenon has been beneficial to the country in terms of providing overseas employment (which was its principal rationale), generated substantial

[1] Remittances of OFWs are not exports but transfers in the Balance of Payments whereas construction companies which send workers abroad are exporting services

earnings for those deployed in the form of remittances, and contributed to reducing poverty levels, among others which are often raised in popular and technical discussions.

As to whether being an OFW pulls one out of the poverty maze, the evidence seems to be limited and, in some ways, incomplete or insufficient. Sorting through various data sources (e.g., Family Income and Expenditure Survey (FIES), Survey of Overseas Filipinos (SOF), Labor Force Survey (LFS) and Annual Poverty Indicators Survey (APIS)), it appears that the OFW identifier indicates they mostly belong to the upper end of income distribution – in one study, 80 percent of them are in the richest 40 percent of the income ladder (Ducanes and Abella 2008). While this may not be surprising, the more important question is whether those OFW at the bottom decile of the ladder are able to pull their bootstraps and escape the poverty trap[2]. The same study reveals that poverty incidence falls based on an OFW deployment in the succeeding year and rises with one OFW deployment this year and none the following year. What this is saying is that once an OFW is deployed (in a decile) it eases out of poverty i.e. the incidence in that group of households declines but once the deployment ends poverty incidence rises. On the other hand, the poverty incidence of the long-term OFW consistently declines with continuous (in the 2-year period of the tracking) deployment.

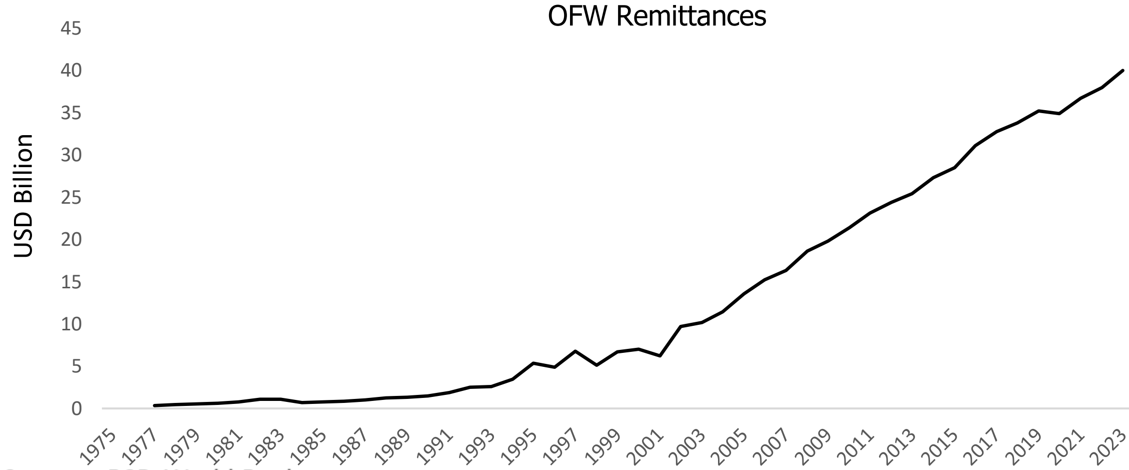
The truncated nature of the empirical evidence raises a few interesting observations. Firstly, the location of much of the OFWs in the upper income (or expenditure) bracket suggests that they do not belong to the unemployed but rather may have ongoing employment (a point developed in III below). Moreover, the uneven distribution of the OFWs also suggests potentially greater income inequality. Secondly, the presence of OFW in any given period apparently reduces poverty incidence of the group. At the same time, when the OFW deployment ends (contract is completed) poverty incidence creeps ups. Thirdly, without a tracking of the longer-term conditions of households with and without OFW, it is difficult to conclude if OFW deployment does indeed sustainably reduce poverty. Finally, the data for the period in the study show that income inequality is more prominent among the households with OFWs in comparison with the domestic labor force households even arguing for the significant number of cross-over households above the poverty incidence. Thus, it may be useful to look closely at the OFW effects on poverty over a long period, especially in reviewing the OFW phenomenon in its half-a-century history. One

[2] The bottom 30 percent of the income ladder is defined as the poverty group.

cannot belittle the magnitude of poverty reduction that households with OFW attain relative to those with no OFW.

The flow of remittances from OFWs (both land- and sea-based) is an important impact of the system. Based on these flows alone, migrant workers are often dubbed as modern-day heroes for transmitting large sums which go into expanding foreign exchange reserves, funding household consumption, supporting their children's education, generating savings and investments, and generally widening household expenditure choices. There are two facets of the remittances to point out. Between the start of the OFW phenomenon until more recent times remittances have been growing at around 11 percent per year – with a faster clip beginning only in 2000 relative to 25-years earlier (See Figure 1). There are studies and empirical investigation of OFW remittances inflicting a Dutch disease to the economy (Tuaño and others 2007; Bayangos and Jansen 2010). The usual mechanism of appreciating currency caused by remittances reduces export competitiveness. Other countries similarly situaed have been able to thwart its deleterious effects while the Philippines has not through e.g. productivity improvements. Put differently, these remittances have the same effect as trade protection making imports cheaper and exports expensive than they would otherwise be. Remittances grant social license to Filipinos to import more including the OFWs themselves. In fact, the flows fell by a miniscule of less than 1 percent between 2019 and 2020, the height of the pandemic crisis. It is true that remittances exude complacency at the macro-economic level as reserves can prevent Balance of Payments problems without having to address root causes.

Figure 1
OFW Remittances



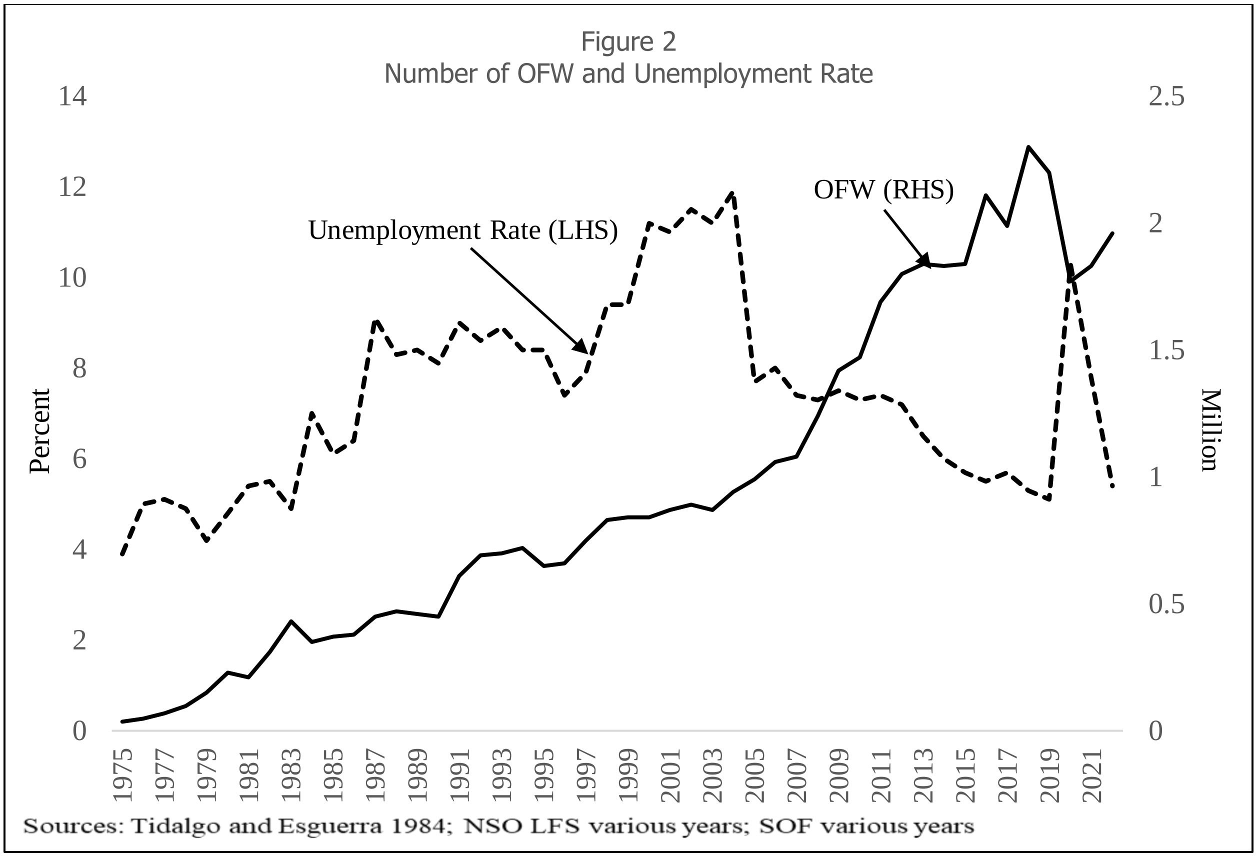
Sources: BSP; World Bank

The use of remittances has not transformed expenditure behavior away from consumption towards investments potentially creating a bubble and preventing an investment-led growth (Colombo 2013). Public policy has neither resisted this direction in pro-active ways such as better land-use and zoning policies. Year-in and year-out our economic growth has been mostly fueled by robust consumption expenditures (which has depended upon wittingly or unwittingly on) a large part from remittances; conversely, these have glossed over fluctuations in investments (particularly government construction and infrastructure) and at the end of the day, growth manages to be respectable. But it may not necessarily be attributable to the magnitude of remittances. Yet it is seldom appreciated that it is investments or capital formation that eventually builds a sustainable economic growth path. There are efforts to lure remittances away from direct consumption goods towards purchases of investment instruments (to include investment on human capital such as education) on a reasonable horizon which means household expenditures shift from away from current goods to future goods.

Looking at whether OFW deployment has generated more domestic employment or reduced its unemployment rate, there does not seem to be evidence in the last 50 years that we can view with data. One would have thought that the OFW rationale was an escape valve due to rising (domestic) unemployment and those who seek overseas contracts would effectively diminish the cadre of the unemployed and thus reduce the country's unemployment rates over time.

The overall unemployment rate did indeed rise after 1975 (at 4 percent) into 6-12 percent territory with smatters of dip in between. It plunged in 2005 not because employment accelerated but because of the adoption of a new definition of unemployment.[3] When juxtaposed with the OFWs deployed it seems that the unemployment rate even rose (See Figure 2). There is however a noticeable decline in the unemployment rate after 2009 with more OFW though this does not seem to be sustained. The argument that without the OFW the unemployment rate would have even been higher is not borne out by the data shown. On the other hand, if the OFW were already employed, deployment would have reduced unemployment to replace the deployed worker. Neither is this evident in the figure.

[3] In the new definition one is unemployed if that person has looked for work at least once in the last 6 months in the reference period compared to having no job or work in same period. In an illustrative calculation, unemployment using a new definition is shown to be 30 percent lower than the old concept. PIDS 2011.



The lack of association between the unemployment rate and worker deployment implicitly questions the policy and rationale for the OFW system. After all, it was meant to generate employment on a scale that could not be domestically addressed. Unemployment itself results from reforms in a wide range of policies, programs, and projects and when these bear fruits unemployment rates would be declining at least within a generation, other things being equal. These must be laid out in some detail. Part of the stubborn figure comes from what was implicit in the household study of OFW noted above – that the OFW may have been already employed before deployment in which case the unemployment impact would be feeble. In fact, when one looks at the changes in workers deployed, changes in the labor force, and the unemployment rate during the same period as the study reviewed above (1990-2000) the latter has been quite stable. Without a more systematic understanding of the actual policy reforms instituted alongside the OFW system it would be difficult to explain the movement of the unemployment rate.

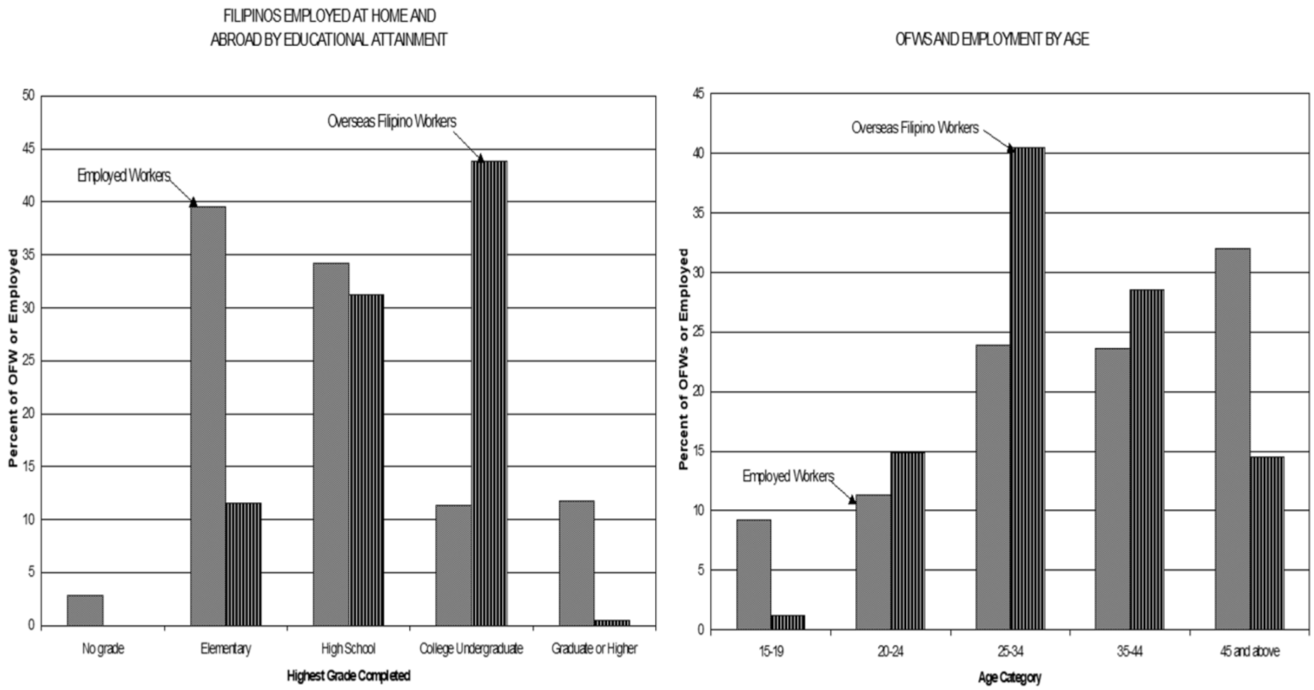
III. Structural Issues

Here we pay more attention to what seems to be behind the OFW structure and the issues they raise. Apart from the issues with respect to OFW profiles, an attempt is made to some disturbing facets that are either independent of the OFW phenomenon or implications from them.

It appears that OFWs are the "cream of the crop" of workers in terms of age and education when compared with their cohorts in the labor force. There is also some similarity in comparisons with permanent emigrants (in the sense that OFWs represent temporary migrants) particularly with US permanent residents. For example, around 70 percent of OFWs are between 25 and 44 years old compared to 50 percent of employed workers. Some 15 percent of OFWs are above 45 years of age (around 30 percent among employed workers). On the other hand, US immigrants are comparable to the OFWs except for a larger share of the aging population e.g., 26 percent are 65 years or older (Davis and Batalova 2023). In short, an overwhelming number of the OFWs are in the prime of their productive years.

In terms of educational attainment of OFWs are two distinguishing marks. There is a lopsided share of college graduates among the OFWs relative to those employed (44 percent to 12 percent, respectively). See Figure 3. Obviously lopsided would be elementary graduate attainment (44 percent of employed and 12 percent of OFWs). Notable of the first mark is an underlying display of "brain drain" for certain college degrees and professions. At the height of this condition (in the 90s) the magnitude was 28 percent of OFWs. What was concerting is the number of professionals leaving exceeded their net additions (from completing college degrees), among them teachers, engineers, nurses, and ICT professionals. And whether permanent or temporary migration, the result would still be the same i.e., a diminution of the country's high-level manpower. Advances in telecommunications and remote working arrangements may have helped in reducing the void the highly educated professionals created preventing further migration. Further research is essential to determine if this structural characteristic of the OFWs has changed in the long run. Whether the structure of the OFW profile (age and education) would be any different from what it is now even with technological advances hinges on many factors that are not easily predictable. While many of the jobs that appear to be borne by the OFWs are personal services they must be unbundled (which is not readily seen in the surveys of OFWs).

Figure 3
OFW and Employed Workers

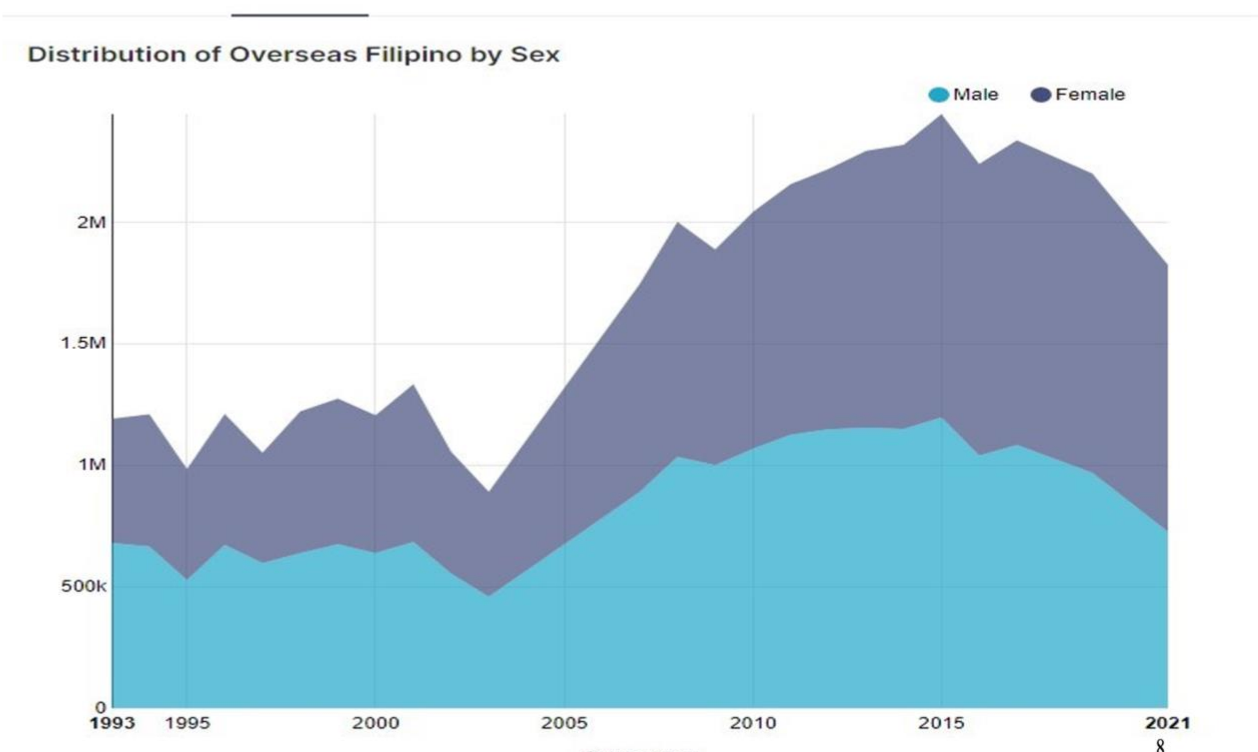


Source: Alburo and Abella 2002

The OFW structure by gender (male and female) has visibly changed in the early 2000 so that by 2022 58 percent were females. They were about evenly divided in 2004 and 2005. Figure 4 showing gender distribution between 1993 and 2021 clearly depict the sharp rise after 2004 and has persisted until 2022. This seems consistent with the dominance of male-oriented occupations in the early evolution of the overseas migration. The shift is also seen in the occupational classification by gender showing female domination. By destination, beginning in 1993 saw a fall in OFWs to the Middle East, a steady rise going to Asia and some stable flows into the European Union and US/Canada. This changing gender ratio in the structure of OFWs in turn changes their occupational distribution.

This brings up the OFW structure in terms of upward mobility in the occupational ladder. One would be interested in the distribution of occupations over its long period i.e., the ratio of elementary occupation to manager and professional workers. Whether OFWs increase their occupational mobility the ratio would be falling over time. The limited data indicates that the ratio has remained constant (the series accessible is 2017 [3.8], 2018 [3.7], 2019 [4.1]). The benchmark for 1991 is 3.4. The categories of occupations have likewise changed, and comparability becomes obscure. Elementary occupation covers "*performance of simple and routine tasks which may require the use of handheld tools and considerable physical effort. It includes cleaning, restocking supplies, and performing basic maintenance in apartments, houses, kitchens, hotels, offices and other buildings, washing of cars and windows, helping in kitchens and performing simple tasks in food preparations; delivering messages or goods; carrying luggages and handling baggage; door keeping and property watching; stocking vending machines or reading and emptying meters; collecting garbage; sweeping streets and similar places; performing various simple farming, fishing, hunting or trapping tasks; performing simple tasks connected with mining, construction and manufacturing including product-sorting, and simple hand-assembling of components; packing by hand; freight handling; pedaling of hand-guided to transport passengers and goods; driving animal-driven vehicles or machinery* ."

Figure 4



Source: PSA SOF 2022

These issues related to OFW structure -- age, education, and gender -- draw out critical implications. For one, the increasing share of females in the OFW, especially in recent times apparently has greater negative effects on children left behind particularly those studying compared to male migrants (Lomibao 2023). Though how remittances are allocated between consumption and education may matter, it seems that it is who the OFW (male or female) that matters more. The more female (especially those with children left behind) the bulk of OFWs, the greater the social damage. Studying is of course only one aspect of behavior OFW families need to face when migration takes place.

Most OFWs belong to the age group that would have significant experience, on-the-job training, and likely supervisory skills sharply contrasting to the general population. Migrant workers have higher share in number of years of education. In short, OFWs (both temporary and permanent) are younger, have higher education and skills, and more productive. Although part of the migration has been outflows of skilled workers (aka "educated unemployed") they were still part of the larger cadre of OFWs with the characteristics described above, the very ones needed in the country. Distinguishing between temporary and permanent skilled migrants may only be illusory since the country is deprived anyway of their professional expertise. Many temporary skilled migrants practice return migration after only a short respite between contracts. At close to retirement age when some of these skilled migrants return their productive efficiency wanes either by choice or they are literally burned out.

For the skilled OFWs, their private financial rate of return abroad is higher than at home and seems justifiable given that their education may have been privately acquired. Their *social* rate of return at home may be higher in view of development needs for their expertise more so if they were educated in national public schools. The economic implications therefore must be seen in the balance between benefits and costs in both private and social terms. In the case of the larger elementary occupational group much depends on the specific jobs and tasks covered and may have wide variations in both private and social terms. These cannot be easily categorized.

Many, if not all, destinations of OFWs have higher per capita incomes or are generally better off whether in East Asia, North America/Canada, or the EU. What seems to be disturbing is that there are still OFWs in destinations which are worse than the Philippines. Their numbers are not many, but they still migrate, and it is not clear what the motivation is. For example, there are OFWs in Afghanistan, Democratic Republic of Congo, Somalia, Sudan, Ethiopia and Burkina Fuso, among others where some are "failed states". There are also significant numbers in destinations no better or worse than the Philippines such as Papua New Guinea, Cambodia, Myanmar, Nigeria, Zambia, Tanzania, and few others. What is behind the OFW decision to migrate in these destinations is not clear. What is clear is that when emergencies erupt in these places (and they occur more often than the mainstream destinations), government resources are invariably allocated to repatriate the OFWs, provide support during transitions, and eventual adjustments. The question is perhaps the kind of environment that leads OFWs to consider migrating to these destinations. Does the environment foster potential OFWs to see these as providing them with financial returns superior to domestic employment? Are there parts of the environment that influence some workers to view alternatives other than migration as "desperation"? More in-depth analysis would be enlightening including some comparisons between those migrants to these destinations and elsewhere. Indeed, the actual numbers who migrate may reflect a higher number of OFW candidates.

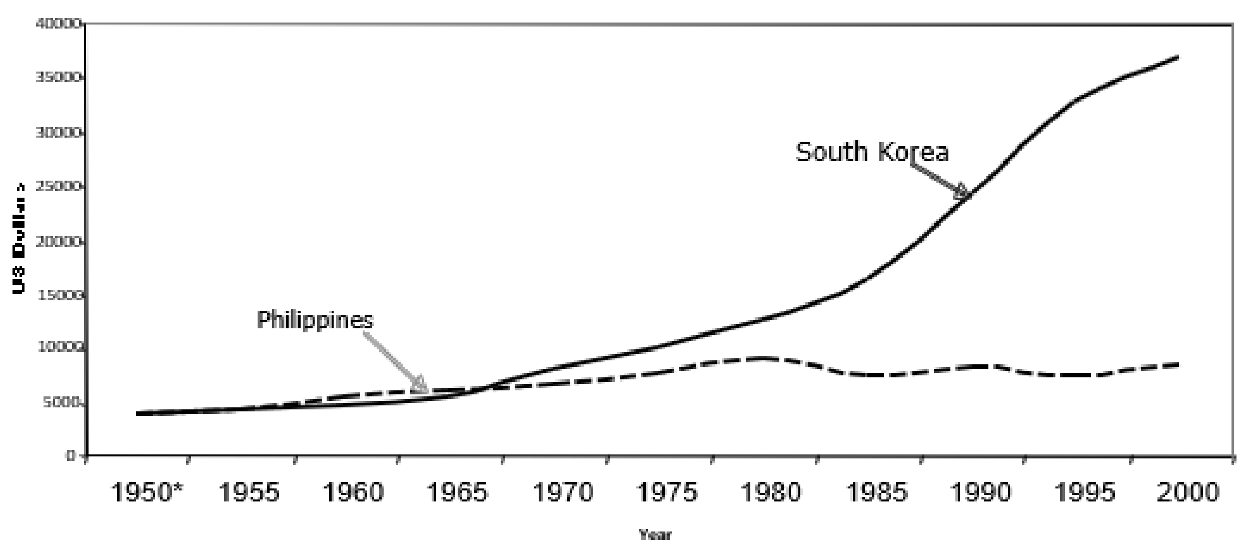
Despite being temporary workers, OFWs often re-contract and experience a cycle of migration so that over the long haul being temporary mimics permanency. However migrant workers who are effectively cyclical OFWs are deprived of the many advantages that go with permanent employment without any security of tenure and retirement benefits. The net effect of this (common) type of migration is that over a span of time it perpetuates itself. Children of OFWs see the role of the migrant worker, which is followed, and a sub-culture emerges that is inter-generational. Indeed, the occupational distribution of this sub-culture perpetuates as well and constrains upward mobility. This does not mean that there are no improvements across many migrant workers as clearly there would be those able to overcome the vicissitudes of temporary migration. By and large, however, the invariance of OFW behavior in a long span of time seem to be the norm.

In all, the sheen of the characteristics of OFWs overlooks the structural issues that have been identified. Calculations of the benefits and costs of migration ignore them, which should perhaps be part of a broader OFW horizon scan. In fact, it is only recently that OFWs are encouraged to develop exit strategies when considering temporary migration. Yet without an equally clear exit strategy in terms of policies that promote worker migration as a stop gap measure, there would be no foundational basis for an OFW behavior. It defines the parameters for individual migratory decisions.

IV. Development Context

A critical policy issue in examining temporary labor migration in general and the OFWs in particular is understanding how countries dependent on overseas workers and remittances can turnaround from being net source and sender of labor to becoming net absorbers of labor. Unfortunately, such empirical understanding is scarce in the literature which concentrates on remittances or the behavior of OFWs and the economy rather than how labor-sending countries can graduate into sustainable middle-income economies (but see Alburo 1995 for illustrative empirical test where accelerated trade partly influences a turnaround). A stark illustration is the economic conditions of 2 of the early senders of workers to the Middle East – Philippines and South Korea (physically and demographically comparable in 1950). By comparing real GDP per worker of both countries one can see that Philippine workers were slightly more productive in the 60s before South Korean workers became four times more productive than Philippine workers after 4-5 decades. Figure 5 shows the Philippines with initially higher real GDP per worker.

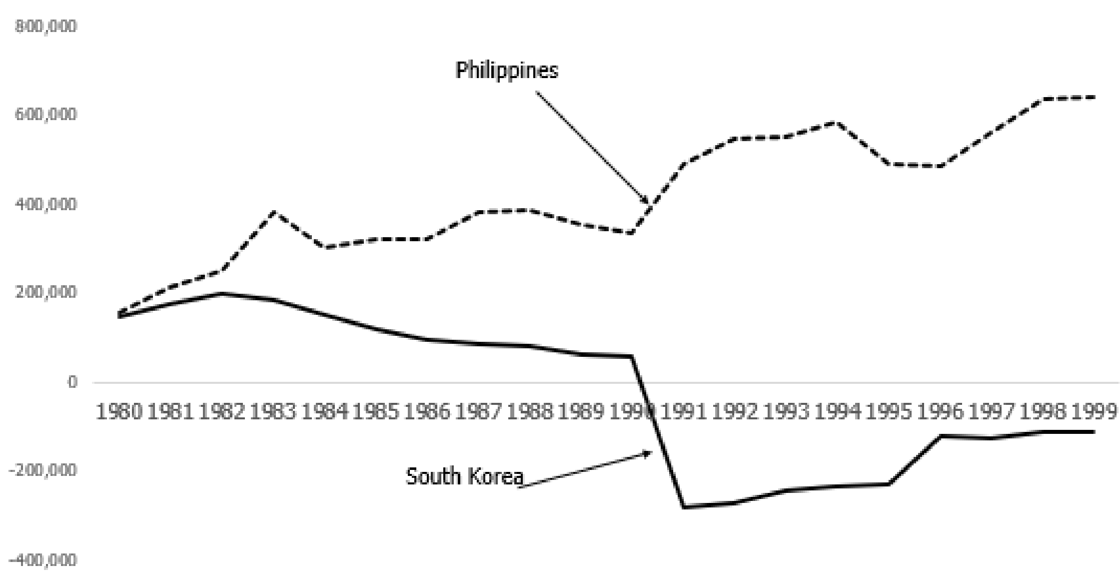
Figure 5
Real GDP per Worker: Korea and Philippines
(In 1996 US Dollars)



*1953
Source: Center for International Comparison University of Pennsylvania 2005

In the late 70s and early 80s both the Philippines and South Korea were deploying comparable number of workers, but South Korea saw a rapid decline of overseas workers until a turnaround in the 90s (with the Philippines 1983 economic crisis showing a sharp rise in OFWs) when it started to become net absorber of labor. What were the South Korean workers who had returned doing? Some workers were in manufacturing factories producing goods that were exported and receiving wages that were now higher than what would have been earned in the Middle East and elsewhere, reflecting higher labor productivity. Some workers were in services which catered to the domestic markets or exported. Indeed, goods and services exports of the Philippines and South Korea were comparable in the 70s but widely different since the 80s. A similar pattern of goods and services exports between the Philippines and Viet Nam between 1990 (when Viet Nam effectively began exports after the war ended) and 2021. Figure 6 compares the number of workers deployed by the Philippines and South Korea where both had similar numbers in 1980 but began diverging in subsequent years.

Figure 6
Migrant Workers: Philippines and South Korea
(Number of Workers)



Sources: SMC Asia Migration Atlas 2000; POEA; ILO-ARTEP

The export boom did not just happen in South Korea but in the other tiger economies and the emerging countries, all in Asia. All these had fluctuations in their deployment of migrant workers except for the Philippines which had a consistent rise and South Korea which had consistent fall after initial rise[4]. On the other hand, some (shown in Table 1 for the 3 tiger economies South Korea, Singapore and Taiwan and 3 emerging economies Indonesia, Malaysia and Thailand) had consistent expansion of exports except for the Philippines.

Table 1
Merchandise Exports
(In US $B)

	1970	1980	1985	1990	2000	2005	2010	2015	2022
Philippines	1.1	5.7	4.6	8.2	38.1	41.2	51.4	58.8	74.7
Indonesia	1.1	21.9	18.5	25.7	62.1	85.7	157.8	149.1	292.0
S. Korea	0.8	17.5	26.4	64.0	172.6	284.4	466.4	543.1	683.6
Malaysia	1.6	12.9	15.1	28.7	98.2	140.9	198.5	165.7	352.5
Singapore	0.8	18.2	21.5	49.3	137.9	229.8	351.2	396.2	515.0
Taiwan	1.4	19.8	30.5	66.2	151.5	198.2	273.5	339.8	477.5
Thailand	0.7	6.5	7.1	23.4	68.1	109.5	193.2	213.4	285.1

Sources: IMF, IFS (except Taiwan) till 2000, ADB KI, ICSEAD for others

These migrant workers could be viewed as potential labor in the country had there been a tight labor market and they would be producing tradable and non-tradable goods. Unemployment drives them to migrate and work in the destinations, producing tradable and non-tradable goods (as they would have done at home). Employment (in tradable goods) effectively ships the goods to destinations; unemployment physically moves workers to destinations (employed there in tradable goods). In this sense, the movement of workers is a substitute for the movement of tradable goods. In a narrow sense when a turnaround takes place returnee-workers are employed in producing tradable goods and shipping them as exports. This would happen when the overall trading sector vigorously develops, expanding products, and employing more workers (who would have been migrants with weak trade sectors). In terms of services,

[4] The countries which had these fluctuations, tracked over 20-year period are Bangladesh, China, Indonesia, Pakistan, Sri Lanka, and Thailand. The figure is not reported here but can be obtained from the author.

analogous principle follows but one distinguishes between direct and indirect services and whether these are tradable or non-tradable.

It is not surprising that migration is associated with trade and with it the development of the economy. Nowhere is this better illustrated in South Korea's turnaround, the parallel experiences in the other tiger economies and in the emerging markets. How the trade sectors become dynamic, exports flourish, diversify, and sustain in the long haul are essential if not strong contributors to development. One policy which has driven trade among these economies is the exchange rate. Many pursued an undervalued exchange rate. Whether by deliberate means or benign policy, such an exchange rate encourages exports and discourages imports. What this means is that imports are socially penalized, and exports socially rewarded. More than this, when imports are more expensive than they would otherwise be, domestic substitute production becomes more profitable and increases domestic employment tending to discourage migration. In the same vein, when exports are cheaper than they would otherwise be, export earnings expand in turn increasing their production generating domestic employment and discouraging migration. Conversely, an overvalued currency lowers import prices than they would otherwise be encouraging imports reducing domestic import substitute production and employment and encouraging migration. Exports are more expensive than they would otherwise be, discouraging foreign buyers or shifting their purchases to other exporters. An exchange rate that is overvalued or undervalued for a long period is bound to influence private and social behavior. This is noticeable in the way exports evolved among the selected economies e.g., continuous overvaluation for the Philippines with the other economies displaying undervaluation. One generation of this behavior builds the roots of a development where migration becomes an important and real choice and an adjustment. This policy often invites criticism from those which are adversely affected, and it may be countervailable. The recent global concerns of China's undervalued RMB is illustrative though there may be other ways that the same policy can be pursued alternatively.

Another policy followed is foreign direct investments (FDI) as vehicles in expanding trade and in reducing the incentive (if not forced necessity) to migrate. But it is important to note that while financial flows constitute the meat of FDI, what is behind them is more important. And to the extent that these are obtained, they tend to have similar effects as FDI flows. Technology accessibility, particularly those that reduce production processes, improve input mixes, upgrade equipment and other hardware or software auxiliaries go with FDI. Foreign investments also bring in best practices across the gamut of manufacturing or services tasks from nuts-and-bolts to research and development. Foreign equity that goes with FDI connects networks globally and firms that receive FDI can capitalize on the network in intensifying commercial interests and transactions and export markets.

But these real substances with FDI can also be acquired with the minimum of financial flows. One channel of acquiring what would go with FDI is through arms-length methods such as reverse engineering, original equipment manufacturing (OEM) and foreign licensing (Chung 2007). These could largely be financed by foreign loans. What is important is that technology can be acquired (without FDI) and local capacities are built. For example, OEM production arrangements include opportunities to work with foreign buyers who provide product designs, materials, and quality control in the production processes. Imported capital goods are reversed-engineered to uncover the underlying technologies. With these 2 methods workers are in-production trained and benefit from the experience. Thus, the policy tool can be mechanisms that bring in FDI (e.g. regulatory framework, fiscal incentives, investor visa, etc.), or more informal ways which in the end achieve the objectives behind FDI. The latter has been the method followed by South Korea in powering its exports and providing employment for those returning migrant workers. Witness its successes in the exports of garments and electronics during its early stage of industrialization and subsequently in more sophisticated semiconductor memory chips, cellular phones, automotive manufacturing, and pharmaceuticals, among others in goods merchandise. Witness also its successes in services – from traditional sectors like travel and insurance to more recent explosion of creative products like *Hallyu* encompassing cultural content, gaming, animation, music, movies, and cartoons.

A third policy is the significance of advice. Advice spans a wide range of modalities – from one-off encounter with top government policy makers to multi-period interactions with both policy makers and the bureaucracies underneath; in the form of books and memoranda to personalized sessions; an individual adviser or a team or even organization that carry it out; the coverage narrow (e.g., limited sectors) or the larger and broader picture. The point of advice is to bring to bear on policy independent existing and contemporary knowledge and identified decision choices.

A policy advice's effectiveness depends on the regime itself. Regimes often change and thus their receptiveness may be limited if not short-lived. Yet if the basis for advice is some long-term empirical analysis its relevance would remain across many regime changes though adaptation may also vary. Moreover, to the extent that advice stems from within the regime may also influence its effectiveness as opposed to external sources. After all, policy offices typically have advisors.

The actual empirical record or experiences of policy advice are few i.e., those that are in formal literature. What seems to characterize policy advice is a significant length of time of involvement in a country's development, persistence in pursuing specific policy prescriptions, seeing these through and overcoming doubts with deliberate reasoning, and reviewing effects on the economy. The limited tracks of the policy advisors and often delayed historical accounts reflect difficulties in reconstructing history since not only would there be a demand for data but more elusive dynamic interactions among policy personalities. For example, only in the last half-a-decade has analytical interest shown in the role of Singapore's external advice on the country's economic development (Quah, Luldashov, and Lee 2022). Unless the sources of the advice pen the historical account, there appears to be some lag in the literature illustrated by S. C. Tsiang's (joint) economic advice to Taiwan's economic growth (Tsiang 1987). Indeed, the details of Japan's economic development in the post-World War II and the role of internal economic advice came out in 2018 (Ohno 2018).

The two policies noted here – exchange rates and FDIs (or their substitutes) – are far from exhaustive. Nor do they stave off overseas temporary or permanent migration. But these directly or indirectly affect trade which in turn influences mobility of labor. To the extent that advice, as a third policy, articulates these (and their combinations), they would be laid out more systematically for eventual impacts.

This development context of OFWs is important to provide a perspective into the continuing exodus of OFWs. With similar international environment, contrasting observations among sources of migrant workers show that after some time there is a turnaround from being a net supplier to becoming a net absorber. This is starkly demonstrated by the Philippines and South Korea with the former consistently increasing its overseas workers and the latter consistently reducing the number of migrant workers. What explains this is partly how development evolved while still facing a similar global environment. This is where policy packages may have differed leading to different outcomes particularly in terms of employment and thus behavioral incentives to migrate or not. Comparisons of these development contexts would be didactic.

V. Summary and Conclusions

The behavior of transitory or permanent migration (OFW system) has been going on for more than a century. There is expansive literature that traces the roots of the practice, the achievements of the migrants, and the depths and scales of keeping ancestral connections vibrant and strong.

But it is only in the last 50 years that the government has explicitly encouraged overseas migration as a temporary solution to the country's high unemployment rate. The process of moving or deployment has been largely left to individual transactions between the Filipinos who decide to leave and the placement and recruiting agencies (generally on behalf of ultimate employers in the destination countries) that set the conditions for employment. Despite the lack of strong regulatory role or bureaucratic control of the transactions, government authorities have been able to maintain some oversight through limited accreditation, licensing of agents, and greater reliance on bilateral agreements with destination governments or invoking ILO conventions. These are intended to provide protection to OFWs, ensure some work-related standards, keep track of their locations, and assure their welfare – again through embassies and consulates and not direct government instrumentalities (even if some maintain offices abroad)

Other countries mainly in the Asian region have similarly latched on to the deployment of workers and there is competition among these thus there would be wage variations in the eventual contracts. Lurking behind this overseas migration phenomenon is the lack of domestic employment opportunities such that temporary deployment was seen as stop-gap measure not a panacea but as a transition to a fuller domestic employment.

OFW deployment and employment overseas have increased in stride since 1974 such that by 2022 the total number of OFWs reached 1.96 million. The increase has been sustained despite some years which saw slight declines, but the overall picture has been a continued rise. For example, the 2020 pandemic did lead to a fall in OFWs to 1.7 million from 2019's 2.2 million. This is not the case for all the other countries which show wild fluctuations not a cyclical rise.

When we relate the yearly OFWs with the annual unemployment rate, there does not seem to be a negative relationship as expected – instead both move in the same direction in 30 years (except for the period after 2005). Of course, there are many factors that determine unemployment rates, not necessarily OFW movements. Yet this lack of association between the unemployment rate and OFWs implicitly questions the policy of and rationale for the OFW system.

Our review of past trends focused on 3 aspects of OFW – discovering the dynamics of policy undergirding migration of workers which remains elusive: OFW contributing to poverty reduction: and some perverse effects of OFW remittances. What is not evident is the policies that were supposed to have been set in place at the same time as the OFW system to eventually exit. Yet after 50 years this has not been adequately articulated. What is evident is that there was sufficient knowledge to craft a labor-using development strategy.

In one study OFWs exhibit dualism in being poor – the upper 40 percent of income ladder belong most of the poor, i.e., they are "rich" and the lower 30 percent where there are equally pockets of the poor. Tracing the movement of the poor across 2 time slices of the FIES according to those with overseas contract for consecutive time periods and those with contracts at alternate time periods. The poor with contracts for one period can lift out of poverty but revert to being poor after contract completion while those with continuous contracts manage to overcome poverty (within the same period). A more longitudinal tracing may yield additional insights including how the OFW eventually escapes poverty. On the other hand, with the increasing number of OFWs in elementary occupations, these may fall in the inevitable poverty trap. A separate study of this sub-group may provide different analysis given that they appear to be a newer category of occupation.

Touted as a critical part of OFW deployment is the magnitude of remittances that have likewise been growing. Although these have remained constant as a share of Philippine exports of goods (and services) and technically not exports earnings, these have aggregate and micro-behavioral implications. For one, there are findings that remittances have inflicted the Dutch Disease" on the economy. An initial effect of currency appreciation is to raise export prices and lower import prices. All other things being equal, and with little effort to counteract the disease's effects, the fall in export revenues would tend to deter employment of semi-skilled workers, lower real wages, and encourage migration. Conversely, imports tend to expand, domestic import substitution loses protection, workers laid off, and encourage migration.

For another, as remittances are delivered (or brought home) and received directly in households, these are spent on consumer goods and services. For sure, some of these go into investments (fresh placements and adding to a portfolio) but by and large they add to consumption expenditures. While these expenditures do trigger growth (and the remittances are expected to usually take on the slack in times of weak aggregate expenditures), they are not as powerful as investments with sustainable multiplier effects. These remittances behavior should not be relied upon continuously as they have in the past[5].

We raised a few structural issues of OFWs – derived from their changing profile where the shifts in gender seem to be consequential. The OFW profiles reveal that OFWs are the "cream of the crop" by age and education relative to the labor force. Minus the lower tails (elementary for education and 15-19 years old for age), and upper tails (college graduate for education and 65 years old and above for age), they signify that the OFWs are more productive, younger, and more educated. The preponderance of college undergraduate partly reflects the brain drain phenomenon but may have waned from technological advances.

Upward mobility however among the OFWs has remained the same in the decades of Philippine migrant workers. This means a declining ratio of elementary occupations to managers and professionals which has not happened. And as the share of elementary occupations rises the ratio may even increase. In part this comes from the rising share of females in the OFW mix in the last 2 decades. Indeed, this structural shift in gender distribution of OFWs also means a wider swath of family members left behind (especially growing and studying children), a high social cost of overseas migration. There is a need to clarify the composition of the category elementary occupation and see if a structural shift is really evident.

There also seems to be some structural shifts in destinations among OFWs. The prevalence of destinations in the Middle East, East and Northeast Asia, North America, the European Union, Australia and New Zealand reveal the *de facto* preference of OFWs. They seek the more economically advanced destinations, invariably earn higher wages, and likely experience conditions that appear superior to that in the Philippines. Yet, though not significant in comparison with the dominant destinations, many OFWs migrate to countries that are worse than the Philippines (measured for instance by per capita GDP), pose serious risks in terms of safety and

[5] Although remittances are indeed large a closer look at the magnitudes suggests they are not that significant. In 2023, the foreign exchange revenues from OFWs were USD 40B. With some 2M OFWs the per capita remittance amount to USD 20k. At the lower end those in elementary occupations may have received less than half which partly explains why this can hardly lift poverty unless the OFW indefinitely continues to work. In comparison, foreign exchange revenues from exports of goods were USD 75B or USD 75k per worker assuming workers in export industries numbered 1M or less. Of course workers receive much less but the trade-off is a long run employment with increasing wages.

security, and are likely to claim substantial resources in times of emergencies requiring their repatriation. This structural shift may warrant validation of placements or recruitment, close monitoring, and guidance and counseling by authorities. And without a direct (diplomatic) presence in these destinations the provision of protection and standards may be difficult to pursue.

The development context of migration looks at 2 countries. Comparison between the Philippines and South Korea offers stark parallels and contrasts. Both faced similar domestic and international environments of limited employment opportunities and attractive options abroad through overseas migration, respectively. Both deployed comparable migrant workers at the start. Both had similar economic conditions measured by worker productivity at least until the early 70s.

Thereafter the contrasts become sharper. Though both had comparable migrant workers in 1980, the next 3-5 years saw a gradual then sharp decline in worker deployment in South Korea and a spike then continued increases in the Philippines. Within the decade South Korea became a net absorber of migrant workers while the Philippines saw sustained deployment. South Korea's workers' economic conditions dramatically increased to 3-4 times that of Philippine workers.

It might be argued that the comparisons are inappropriate considering the development conditions of both countries. But it is by precisely examining their historical conditions that their development contexts are telling. By expanding the comparisons not so much in-migrant worker evolution but in other areas particularly in trade the bilateral comparison is further strengthened. Two policies are expounded – the roles of exchange rates and foreign direct investments (or their substitutes) in the patterns of merchandise exports for several economies (3 tiger economies and 3 emerging economies) compared with the Philippines. The comparisons demonstrate the effects of trade regimes over time and not the countries' flow of worker migrants. But the connection is quite apparent shown by the Philippines-South Korea nexus. One can then examine their unemployment rates over the same time period (which is not done here).

What is telling is that the Philippines had been comparable in terms of economic conditions (using a single indicator such as worker productivity), trade outcomes (merchandise exports), and migrant worker deployment in the early part of the last 3 or 4 decades. Subsequently, the country was left behind in terms of the same indicators aptly illustrated by Philippines and South

Korea. In the broader comparisons, the Philippines is seen to be consistently the outlier in these indicators and all the other countries achieving better results or outcomes.

In the 50 years since OFW system (both land-based and sea-based) began many have traveled to work abroad temporarily leaving their families behind, sending back remittances, often extending their sojourn, sometimes visiting their homes, and even finding permanent options. Their numbers have continued to increase. In the first 30 years (1975-2005) the number leaving as overseas workers averaged around 530 thousand a year. From 2005 we have seen a noticeable acceleration when that year broke a million workers so that in the next nearly two decades (2005-2022), the number leaving averaged 1.5 million a year. Assuming no cyclical OFWs, the cumulative number who are migrant workers is some 40 percent of the country's population.

It seems the magnitude of the OFW impact is significant and has remained a critical component of the country's policy space. The question however, and this paper has attempted to document, is whether there are alternative conditions that would eventually wean away the continued and unabated deployment of OFWs – more pointedly, an exit strategy -- towards a situation where migration, temporary or permanent, would be a real choice and preference. Or is the OFW system here to stay with the same structure and characteristics of the past 50 years. It appears that the window is getting narrower given the relative abundance of labor resources and the attendant challenges of utilization across domestic and international environments the last 50 years have imposed[6].

What the other economies which began the same way as the OFW experienced is quite evident even if there may have been unique circumstances each faced. Not only have the number of migrant workers diminished if not disappeared, but economic progress has also led them to consider migration in a wider sphere – deciding to work abroad based on real calibration leaving no family behind, pursuing further studies in places that enhance one's potential, touring destinations to appreciate a globalized world, visiting relatives and friends to strengthen connections, or to just chase adventurous streaks.

[6] The creation of the Department of Migrant Workers (DMW) permanently institutionalizes the OFW system and validates the observation that the phenomenon is here to stay.

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