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OVERSEAS EMPLOYMENT POLICY AND REMITTANCES

by

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ABSTRACT

The paper reviews government policy on overseas contract workers and analyzes their remittances. Overseas employment has continued its upward trend up to the end of 1983 when the number of applicants processed for departure by the Philippine Overseas Employment Authority reached 444,208 as compared to 36,035 in 1975. The number currently employed abroad is estimated to be between 600,000 and 700,000. They have contributed about 1/6 of 1983 foreign exchange earnings and in reducing the unemployment problem.

Government policy consists of trying to increase remittances and protecting the workers from fraudulent recruitment practices and poor or unfair employment conditions. The newly reorganized Philippine Overseas Employment Administration has made good progress in the recruitment procedure. But it still has to institute an effective staff and mechanism for assisting the workers in their place of work. Faced with serious BOP deficits and heavy debt servicing, the government imposed mandatory remittance rates of 50 to 70 percent. This appears not to have been successfully implemented.

Consumption-saving, portfolio choice and demand theory is applied to remittance behavior. The overseas worker is assumed to face a broader set of choices since he, jointly

with his family, operates in both the domestic and foreign markets for goods and assets. The relative prices, yield and risks would determine the allocation of his foreign earnings to foreign purchases of consumption goods and assets and foreign exchange holdings and domestic purchases. Some policies negatively affect the relative prices, yield and risk explaining the smaller rate of remittance than the mandatory rates. Using the POEA cross section data, the paper further analyzed the effect of socioeconomic variables on remittances.

The large outflow of Philippine labor could not have taken place at a more opportune time than in the current decade. The country has been experiencing serious BOP and unemployment problems. In a business forum, an economist even referred to our overseas contract workers as our "unsung heroes." They have brought in a fairly substantial amount of foreign exchange and have reduced an otherwise worsening unemployment rate. Their families have enjoyed a multiple increase in income which they spent for higher levels of consumption, education, housing and land acquisition. Appreciating overseas workers' importance, the government evolved a policy for promoting overseas employment and controlling the flow of their remittance. It also developed a program for workers' protection.

The Philippine migration policy has undergone substantial changes in the last decade in response to the rapid outflow of contract workers to the Middle East. The government was rather passive to emigration prior to 1974 for until then, migration was mainly to North America by people who planned to permanently settle there. The more recent outflow of contract workers which have reached 444,208 in 1983 demanded immediate government effort for workers' protection and documentation facilities.

Part 1 of the paper describes and evaluates the policy. The second part discusses the recent trend and pattern of overseas employment looking, in particular, into skill or occupational composition and places of destination. Later on it analyzes workers remittances and their implications on the balance of payment and the welfare of the workers' families. Secondary data from various sources are put together to give an empirical picture of the labor outflow. Two recent surveys of migrating workers (one done by the Institute of Labor and Manpower Studies in 1982 (ILMS); the other by the Overseas Employment Development Board in 1981 (OEDB)) provide fairly detailed data on remittances and their allocation among major expenditure items. A remittance function is developed and tested on individual observations from the OEDB survey. This function may be used for predicting the value of remittances. Remittances are estimated for 1981 and 1983 using the data given in the two surveys and other reports. The estimates give us some idea of the possible degree of underestimation of the official estimate.

Migration Trends and Composition

Two groups of Filipino emigrants are distinguished--the permanent migrants to the more hospitable environ of North America and the temporary contract workers of the more recent vintages to the Middle East, Africa and other places including

England, Europe and neighboring Asia. Those permanently settled in America are estimated to number about two million. Their emigration began at the turn of the century when farm labor was imported into Hawaii and California. Migration was slowed down to the small quota of an Asian country until 1964 when the U.S. immigration law was liberalized for non-white people. Since then, thousands of Filipinos who qualified under categories for which labor import was permitted and the close dependents of Filipinos of immigrant or citizen status left every year. Emigration to the United States and Canada continues to the present but the rate has been slowed down as a matter of policy of these countries.

The latest wave of migration is of greater immediate interest to the nation and to the government than the slower but continuous permanent migration to North America for the following reasons. The latter outflow could lead to a tightening of some affected segments of the labor market. Fluctuation in overseas demand would generate fluctuation in domestic market supply. The workers' families who are left behind need assurance of support. The remittance substantially augment the country's foreign exchange earnings. Permanent migrants, in contrast, become physically cut off from the country and the government is largely freed of her economic and moral responsibilities for them.

The outflow of contract workers was not accurately monitored until 1982 when emigration procedure was systematized under the newly organized Philippine Overseas Employment Administration (POEA). Currently all contract workers have to obtain their job contract and travel papers via POEA. Beginning 1983 both departing and arriving workers are monitored at the airport so that an actual count of the outflow and return flow could be done. Previously, only the number of processed overseas workers was recorded. The data do not include the workers who left using fake passports, tourist visas, and other illegitimate papers. It is therefore likely that the number of processed workers was less than the total outflow though there is no way the data can be corrected. The degree of underestimation possibly declined through time as the government tightened up on illegal recruitment. The figures given in Table 1 below must therefore be interpreted bearing the above problems. Despite this inadequacy, the earlier data still provide us with some idea of the trend and the characteristics of the migrants.

The next two tables give the geographic destination and the occupational composition of the workers. Each destination has its own particular demand for labor. The Middle East employs mostly labor for the building of its economy's physical infrastructure, hence the concentration of construction workers,

transport and equipment operators and engineers among Middle East-bound workers. Labor going to Europe is mainly professional and service workers while that going to Japan consists mostly of entertainers and that to Hongkong, service workers. Of the land-based workers processed from 1975 to 1983, 82.3 percent was destined for the Middle East, 12.2 percent to Asia leaving a very small percentage going to Europe, 1.4 percent, and to other places, 4.2. The statistic for North America is not very meaningful to read since contract workers form a small proportion of those who migrate there on a permanent basis. The proportion going to the Middle East is even larger in the last 4 years--85.1 percent. Turning back to Tables 1 and 2, we find that overseas employment has been mainly in the lower level occupations or in blue-collar jobs. Of the total placed from 1975 to 1983, 64.4 percent was production, construction and transport and equipment workers or operators, and as much as 16.0 percent service workers. These were mostly domestic helpers and drivers. Entertainers are reported separately and comprise 7.5 percent of the total. All service workers amounted then to almost one-fourth. Professional, technical and related workers and managerial/administrative workers comprised 8.5 percent. Seafarers on the other hand were about 42 percent of land-based workers, or 30 percent of the total migrants.

As expected the migrant workers are on the average, young and better educated/trained than their domestic counterparts. The OEDS and the ILMS surveys give the average age at 32-34 with only about one-fourth in the 40s and older ages. The average schooling of migrant workers in each occupation is higher than those remaining behind.

Part I

POLICY ON OVERSEAS EMPLOYMENT

Two sets of policy are described and assessed in this section--one that is protective in nature and aimed at promoting the workers' welfare, the other on foreign exchange remittance. To be noted is the absence of policy on labor market adjustment.

1. Protective Policy

A protective policy was adopted for the contemporary migrants. The government did not intervene in any substantive way in Filipino emigration to North America partly because the rate of outflow was relatively small and the migrants have had generally good working and living experiences there. Labor and welfare laws in the U.S. apply to them and its bountiful environment allows them to live in reasonable comfort, in many cases, at standards considered luxurious in their home country. Many migrants who left to join relatives were assured of social

U and economic support. Emigration for employment was restricted by certified vacancies and prevented unemployment and burdensome dependency. The job openings were mainly in professional categories, notably medical, which require high educational qualification. Education is an important advantage in job search and cultural adjustment. The more educated individuals qualify for a larger number of jobs ranging from those which call for their own level of education to those that need less education.

Recent migration has contrasting characteristics to the earlier one and demands government intervention for the protection of the migrants. First of all the countries of destination are of alien and unfamiliar cultures. They are of different religions and languages. The physical environment is oftentimes harsh. Second, labor demanded is mainly of blue-collar category and lower educational attainment. Another factor is that the Middle East market opened too suddenly and too largely such that both importing and exporting countries had little time to develop the institutions for protecting foreign workers before they began to arrive. In fact the Philippine government is still in the process of improving the protective measures adopted.

Two types of protection have to be provided overseas workers --one at the domestic front, the other in their place of work. At the domestic level, applicants for foreign jobs have to be protected from unfair practices of labor recruiters and from

accepting sub-standard contracts. They also need to be informed and cautioned about working conditions and the social and physical environment in their intended job locations. Also required is a systematic, less time-consuming and less costly job placement and travel processing. The second area of labor protection is in the job location. More than in the domestic labor market, the government is needed to assist in the enforcement of employment contracts and labor welfare laws.

The government response to overseas employment problems has been quick but piecemeal and uneven. As we discuss the main components of policy and their historical evolution, we will see this response pattern. The discussion is focused on labor protection at the domestic and foreign fronts, and the recently decreed regulation on remittances. The first legislation was aimed at correcting rampant illegal recruitment practices such as exaction of high placement and travel fees, sale of fake passport, and issue of fictitious employment contracts. There were instances of workers who had to come back from foreign cities upon finding that no job was awaiting them. Many were turned away at the airports for holding fake passports. These fraudulent practices involve substantial amounts for fare and placement and travel documentation fees. Applicants usually have to sell or mortgage their real property to be able to pay for these costs and forego employment while on job search. The incidence of the

malpractices could not be ascertained because most victims do not file a complaint. Teodosio and Jimenez (1983) and Abella (1979) stated that the slowness of judicial processes and the low penalty imposed on the guilty discourage the victims from prosecuting.

Solving fraudulent recruitment practices was then seen as the most urgent task of the Labor Ministry and indeed the first measures adopted were addressed to this problem. Presidential Decree No. 442 known as the Labor Code and signed into law in May 1974, provided for the establishment of two agencies--the Overseas Employment Development Board (OEDB) and the National Seamen's Board (NSB). These were tasked with servicing land-based and seafaring workers. In response to the abuses of private recruitment agents, the law stipulated for the phase-out of all private agencies in four years' time and their replacement by the two boards. The government's response seemed instinctive and it did not consider the two boards' capability for assuming the task effectively. There was also a strong lobby for the retention of legitimate recruiters who had already developed foreign market links and placement expertise. The law was amended in 1978 to allow for private participation in overseas placement but with provisions for closer supervision. Fraudulent practices persisted, however. The overseas employment boards were inadequately staffed, the placement and travel documentation procedure was cumbersome and there were alleged corruption in the licensing

and supervision of recruitment agencies. The Labor Ministry units involved with labor protection were not coordinated. The Overseas Employment Development Board and the Seamen's Board were mainly engaged in the placement service while the Bureau of Employment Services was in charge of granting/suspending recruitment licenses. There was a relatively small and weak Illegal Recruitment Task Force which was charged with prosecuting complaints. These various units operated rather independently of each other and were directly responsible to the Minister of Labor. A major reorganization of these units into one functionally coordinated body--the Philippine Overseas Employment Administration (POEA)--was undertaken in 1982. This is currently headed by a non-nonsense dedicated public servant.¹ The organization chart and the title of the various branches of the POEA given below describe quite well the fairly comprehensive responsibility of POEA for protecting overseas workers from various labor problems. It has instituted procedures and offices that would reduce malpractices and unnecessary delay in placement and immigration procedure, and prevent workers' agreement to sub-standard contracts. The POEA strategy of implementing its protective function is two-pronged. One side involves the prevention of fraud and other forms of exploitation, the other is prosecution and adjudication of complaints and conflicts. Measures for preventing fraud and exploitation include an information

¹Public servant here is underscored to have its literal meaning.

campaign and the streamlining of the placement and travel documentation procedure. The information campaign consists of the posting of Schedule of Fees for job placement and travel applications, Schedule of Penalties for Offenses Committed by Licensed Recruiters, the Compulsory Pre-Departure Orientation Seminar, and finally a listing of licensed recruiters. This information is also occasionally printed in the major dailies. POEA has not yet used TV and radio in its information campaign though these have a much larger audience than newspapers. The writer's impression is that the posters have only limited reach and the newspaper reporting has been too infrequent. A radio program similar to those in population and agricultural education would be more effective since the radio is the most popular news medium in the Philippines.

There is now in place a systematic procedure for employment and travel documentation that allows the POEA to follow up the employment process from job order to job application to actual departure.

The more important stages of the employment process are the following:

- 1) Accreditation of the principal or the employer to assure the offer of standard or better employment terms. Minimum salary scale for various skill levels in each occupation is set. This measure prevents the possible exercise of monopsony power by the employing countries. It must be noted that there is a heavy concentration of Filipino workers in just a few places--85 per cent in the Middle East and the majority of entertainers in Japan.

Placement agents are made jointly liable with the employer for breach of contract. Standard terms of employment including minimum wage for each occupation, free board and lodging, travel cost and health and vacation benefits, are set for each occupation, and for some exporting countries.

2) Model contract forms containing the above terms are used.

3) Approved contracts become the basis for passport and visa applications.

4) Final check of all documents at the airport.

These steps have significantly hastened the employment procedure and very much discouraged the sale of fictitious travel documents and employment contracts. POEA's ultimate aim is to have a one-stop processing center where all necessary placement and travel documents could be obtained. A One-Stop Overseas Employment Center was inaugurated in September 1983 and began operating three months later. Both POEA and the immigration service are to be present in this Center.

2. Complaints Offices

While POEA may be able to minimize fraudulent practices and the signing of exploitative or inhuman employment contracts, there remains the need for its services in enforcing contracts and settling labor-recruiters and labor-employer conflicts. The POEA Licensing and Regulations Office takes care of receiving

and prosecuting complaints related to job placement, while the Workers Adjudication Office is responsible for resolving complaints of violations of and conflicts in enforcing employment contracts. The law is quite explicit about recruitment and it is not too difficult to prosecute or settle cases involving Filipino parties. Violation of and conflicts in employment contracts involving foreign principals (employers) can be pursued by the Adjudication Office only indirectly and rather ineffectively through their Filipino recruitment agents who are required to be jointly liable with the employer. According to its officer, agents' assets are usually too small to cover the claims for salary, fare and other benefits claimed by the workers. The success of adjudication ultimately depends on POEA pursuing the case in the employers own courts. Currently, POEA does not have the capability of following up cases in foreign countries. According to Sto. Tomas, its head, the settlement of claims/conflicts against the workers' foreign employers is her office's weakest service. POEA has to coordinate with the inadequately staffed Philippine diplomatic offices in these countries. The Philippine government has yet to establish the institution for protecting overseas workers in their place of work. There is envisioned a Regional Labor Center for Africa and the Middle East but it has remained more or less in the planning stage. In fact the POEA organizational chart draws the Center in broken lines to indicate its embryonic status.

The government also has to negotiate for fair labor laws for the workers. Such negotiations have been undertaken on an ad hoc and sporadic manner. For this reason, the guarantees of legal protection has not been obtained from the major importing countries. There is an obvious urgent need for negotiations with all importing countries.

The sparcity of embassy labor staff in the Middle East and other major importing countries is shown in Table 4 below. There are only a total of 17 labor attaches, 14 are assigned in the Middle East, Japan, Hongkong and Europe. Labor attaches comprise only 3.9 percent of the total 291 representing the various ministries. Except for Saudi Arabia which has three attaches only one attache is assigned to each of the following major labor importing countries--Japan, Hongkong, Iran and Iraq. Other kinds of attaches--trade, tourism, defense and media--very much outnumber labor attaches. In the Middle East, financial attaches monitoring remittances outnumber labor attaches two to one. Judging from this staff allocation the government seems to be more concerned with the foreign exchange earnings than the welfare of the workers.

To appreciate the workers predicament in the Middle East, the POEA compiled the complaints brought to the consuler offices in Saudi Arabia in 1982. The data collected include occupation in Saudi Arabia, salary, education and previous occupation in

the Philippines and the nature of complaint. This is classified into three categories which have high frequency such as non-payment of salary, delayed or incomplete salary payment, and maltreatment such as work hours in excess of those provided in the contract, poor working condition and personal abuses. Six hundred twenty cases were filed from January to December 1982. We took a random sample of 200 from the file. The following tables give the distribution of the complainants by occupation and salary; occupation and education; and occupation in Saudi to occupation in the Philippines.

There is a heavy concentration of domestic helpers among complainants--64 percent versus 33 percent for skilled and 3.0 percent for professional workers. Taking into account the distribution of the total population of overseas workers by occupation makes the relative incidence for domestic helpers appear more serious since they form only 15 percent while skilled workers form 65 percent and professionals, 10 percent of the total processed workers from 1975 to 1983. Several factors contribute to the greater vulnerability of domestic helpers to suffer exploitation. Foremost is that Saudi Arabian labor law does not cover domestic helpers. Secondly, they are individually dispersed among families where each one is unable to rely on fellow workers for any kind of personal assistance. Company workers in contrast, would at least have each other for companionship and mutual assistance. Domestic helpers are also the

least educated and therefore the least able to find recourse in the Philippine embassy authority.

Poor working and living condition and maltreatment were the most common reasons for complaints and were cited by 75 percent of the complainants. Delay or incomplete payment was complained by 106 out of 200 sample and non-payment by only 10. Female domestics complained frequently of rape. The workers made on average two complaints as shown by the ratio of number of complaints to number of complainants. Apparently the employers who were stingy with pay were also inhuman in their treatment. Sixty-six percent of the skilled labor in the sample received less than \$400, the minimum wage set by POEA for this occupation category. Three maids and one professional worker were paid below the corresponding minimum wages.

The survey asked questions of more general interest such as possible deskilling. Table 6 shows that 33.5 percent of those working in domestic service and 27.3 percent in skilled occupations have college education. Only 52 percent of domestics had the same occupation in the Philippines, 16.4 percent worked in skilled jobs, 10.2 in the professions. Deskilling was not as pronounced among the skilled workers and none for the professionals.

3. POEA Achievements

In two years time POEA made substantial gains in cleaning up the overseas labor market of undesirable recruiters and putting in

operation the improved system of processing job orders by foreign principals, employment contracts and travel papers. In 1982, it cancelled/suspended one-third of licensed recruiters and denied more than half of new recruitment applicants. Forty-six additional licenses were cancelled/suspended the following year. The labor contracts processed under the new set-up numbered 314,284 or 18.0 percent larger in 1982 than in 1981. The growth rate in 1983 was even higher, 38.2 percent--the workers processed reaching 434,267. More foreign employers were accredited or had their job orders approved, 1,198 in 1982 and 1,486 in 1983. Possibly due to the information campaign and the stricter monitoring of employment and travel applications, the number of cases filed against illegal recruitment fell from 1,068 to 983 from 1982 to 1983. The percentage resolved jumped from 246* to 804* in the same years. the Adjudication Office however received more complaints in 1983 than in 1982 mostly for delay or non-receipt of remittances by the workers' dependents in the Philippines--1,906 in 1982 to 3,041 in 1983. It is possible that this increase was due to the growing reputation of the office in successfully settling cases which encouraged affected families to file complaints. The resolution rate (the ratio of resolved cases to total filed cases) rose from 49 percent in 1982 to 54 percent in 1983.

* The 246 in 1982 were processed and filed in court. The 804 cases in 1983 were reported "resolved".

4. Policy on Remittances

The country's increasing balance of payments deficits and debt burden over the last ten years led the government to try to maximize the remittance of foreign exchange earnings of overseas workers. A Letter of Instruction by the President, LOI No. 1219 dated March 26, 1982 and Executive Order No. 857 to be effective February 1, 1983, provided for the mandatory remittance of a certain percentage of overseas salary and the means for its implementation. The mandatory remittance rates are as follows:

- a) seamen or mariners--70 percent of basic salary.
- b) workers of Filipino contractors and construction firms--70 percent of basic salary.
- c) doctors, engineers, teachers, nurses and other professional workers given free board and lodging--70 percent of basic salary.
- d) all other professional workers whose contract does not provide free board and lodging--50 percent of basic salary.
- e) domestic and other service workers--50 percent of basic salary.
- f) all other workers not falling under any of the above category--50 percent of basic salary.

The Central Bank and the Foreign Ministry are to establish the mechanism for facilitating the remittance and the enforcement

of the order. No passport shall be issued, renewed or extended unless proof of compliance with the required remittance is given. The validity of passports is limited to one year at a time in order to force the presentation of remittance evidence upon their extension. Overseas employers and recruitment agency have to cooperate in effecting the remittance of their employed/placed workers' earnings. Banks which are interested in increasing the volume of their deposits offer to handle the remittance transactions for the employers. These measures expedite the implementation of the rule.

The remittance requirement amounts to a heavy tax on overseas workers. It also restricts their portfolio and consumption choices. Currently the official exchange rate at which they remit their earnings is ₦13.85/\$1.0* while the black market rate is reported to be between ₦20 and ₦22 per U.S. dollar, or a difference of about 50 percent. This would be the tax rate on the mandatory remittances if these could be sold instead in the black market. The rule limits the worker's consumption and investment choices. He cannot buy as much consumption goods in foreign markets as he finds optimal. He is unable to invest in foreign assets when he finds them more attractive than their

* This is the rate quoted by a bank manager. Minister Ople used the rate of ₦13/\$1 in his press release regarding remittances in Bulletin Today, February 6, 1984.

Philippine alternatives. He is not free to postpone the timing of his remittance even if he has a high expectation of devaluation. The rule appears even more onerous in light of the fact that the individuals concerned belong to the lower middle part of the society's income distribution and that their employment in foreign places is undertaken at great personal cost. And compared with other foreign exchange earnings sectors such as tourism and manufactured exports, overseas employment receives the least government support, financial and otherwise.

The remittance policy, though understandable in extent, is grossly unfair to overseas workers. Alternative strategies for maximizing the rate of remittance could be developed. Basic to such strategies would be the correction of the overvalued currency and maintenance of low inflation rate. Foreign exchange deposits at attractive rates may be offered as an alternative to mandatory remittance. The interest rate on deposit may consist of a foreign exchange denominated interest rate equal to the rate prevailing in the international market and a peso-denominated rate equal to the difference between the domestic and international rates of interest.

Part II

WORKERS REMITTANCES

1. Estimates of Remittances

Workers remittances have contributed an increasing proportion to the country's foreign exchange earnings as seen in Table 7. By official count the value of remittances rose from \$103 million in 1975 to \$421 million in 1980 to \$955 million in 1983. The remittances contributed an increasing proportion of foreign exchange earnings in the last three years starting at 3.2 percent of total exports in 1975 and reaching 10.4 percent in 1983. They could have paid as much as 7.0 percent of total imports by 1982. Compared to the tourism industry in which the government made tremendous investment and which has a large import component, overseas workers contributed almost double its foreign earnings in 1982. The heavy debt problem saddling the economy as shown by a debt/export ratio of about 500 percent and a debt service ratio of more than 50 percent, makes the country even more dependent on the workers' foreign earnings. Our calculations would put the contribution of the workers to debt servicing to about 20 percent; all these figures being based on official count of remittances. It is felt that only a fraction of the actual inflow of workers' earnings is channelled through Philippine banks and gets counted in the official report. The Institute of Labor and Manpower Studies'

(ILMS) survey of workers applying for return employment abroad finds that 17 percent of the land-based sample used personal carriers (self, friend, relatives and others) as the primary means of foreign exchange delivery, 79 percent via banks, and the rest (3.0) through employers.

Estimates of actual remittances are attempted here using the ILMS and the POEA surveys which gathered information on remittances from return workers (those applying to return to overseas jobs). The ILMS survey showed that the workers sent home an average of 62 percent of their salaries, the land-based workers sent 60 percent while seamen sent 73 percent of their foreign salary. The OEDB survey of land-based workers gave a remittance rate of 41 percent of total earnings. If we knew the average earnings and the number of overseas workers, the value of remittance could be roughly estimated as the remittance rate multiplied by the product of the average earnings and the number of workers. There is no information on the number of contract workers employed in each year. What is reported is the number of processed applications. Over the last 9 years (1975 to 1983) a total of 1.21 million workers have been processed. The ILMS survey finds the average length of stay of the sample to be 3.8 years for all workers, 3.1 for land-based and 6.3 for seamen. Seamen tend to treat their overseas job as a permanent occupation. Only 18 percent worked on the seas for less than 2 years while almost 60 percent worked for longer than 4 years of

which 46 percent worked for longer than 6 years. Note that the survey population base are the applicants for return employment and exclude those who have remained abroad and those who had to break their contract due to labor-employer conflict and poor working conditions. The proportion who stayed is expected to be much larger than the proportion of problem cases who returned home before the term of the contract so that we can assume the average length of stay for all workers to be longer than that reported by the sampled returnees making our remittance estimate conservative.

We work backwards to estimate the number of workers in place at time t , given the average length of stay n , and the number of processed workers as reported by POEA. Assuming that those processed in year t have an equivalent stay of half a year. The number of workers in place at year t N_t is

$$N_t^{LB} = .5P_t^{LB} + P_{t-1}^{LB} + P_{t-2}^{LB} + .6P_{t-3}^{LB} \quad \text{for } n = 3.1$$

$$N_t^{SM} = .5P_1^{SM} + P_{t-1}^{SM} + P_{t-2}^{SM} + \dots + P_{t-5}^{SM} + .8P_{t-6}^{SM}$$

for $n = 6.3$

The formula was applied to the processed workers from 1983 and backwards broken down into land-based and seamen for 1981, and into finer occupational categories for 1983. The breakdown suits the data on remittance rates. The ILMS survey gives the rate for land-based and seamen and OEDB for the total. For 1983

we use the mandatory remittance rate for various occupations. The estimated employment and remittances are given in Table 9. Total overseas employment could have reached 634,000 in 1981 and 1.06 million in 1983. The total value of cash remittance was estimated to be \$2.2 Billion using OEDB survey and \$2.7 Billion using IIMS data. Contrast these to the Central Bank figure of \$546 million. For 1983 our figure is \$3.63 Billion while the official is \$955 million.

2. Overseas Remittance Behavior

The amount of foreign exchange earnings remitted by a worker is the result of his intertemporal, consumption and portfolio choices. We see the worker as deciding on how much of his income to save or consume and its allocation among available consumer goods and assets. The choice of his consumption basket will depend on the absolute and relative prices of goods while the choice of assets will depend on their yield and riskiness. The worker has direct access to the market in which he is employed while continuing to participate in the market of his home country. His choice field is thus widened by his foreign employment and in a way we may consider him to be faced with two sets of consumer good prices and two structures of asset yield/risk--foreign and domestic. Transactions and transport cost must be added to the foreign prices. How much of the total consumption is spent abroad and how much at home would

depend on the relative prices (plus cost) in the two markets. The desired mix of foreign and domestic assets will likewise depend on their relative yield, risk and transaction cost. Remittance corresponds to the desired expenditure and investment in the home country.

It is likely that the optimal foreign and domestic components of consumption will differ from those of investment. In such a case the rate of saving will affect the rate of foreign exchange remittance, everything else the same. Factors that affect the rate of saving will therefore tend to affect the rate of remittance.

The permanent income-life-cycle hypothesis argues that consumption at time t is determined by the permanent income computed at t and the length of remaining life over which the income is to be spent. The larger the permanent income, the larger is consumption; the longer the remaining life the smaller the consumption. Windfall income at t affects consumption at t only to the extent that it increases permanent income so that given the years that the income increment is to be used, its effect on current consumption tends to be small, or that most of it will be saved. Foreign employment particularly in the Middle East is temporary and unstable. It involves a fairly high personal cost to both the worker and his family. There is the pain of separation and the hardship of living in a harsh

foreign environment. For this reason many workers plan on only a limited length of foreign employment.

Age and the duration of overseas employment specify the position of the worker in the life cycle and therefore his average consumption and saving. The younger the worker, the longer the time over which he has to allocate his income to future consumption, and the younger his dependents. The composition and level of consumption is to some extent age-related. On the other hand, young overseas workers may expect a longer duration of overseas employment and lead him to treat his current high foreign income with greater permanence than older workers. Age has these two opposing effects on consumption which leaves its net effect ambiguous. Education and occupation are usually positively correlated with each other and with income. Education and occupation may, however, affect taste and allocative ability and thus the rate of remittance. The more educated worker is expected to face a broader range of consumption and investment alternatives that could lead to a higher or a lower remittance rate. The influence of the number of dependents is obvious as it directly determines the family's per capita income and the level of bequest desired, whether in human or physical capital. Most consumption and investment goods are location-specific or that they have high transport and transaction cost--food, housing, transportation, human capital, etc.. The larger the number of

dependents, the greater is the consumption or investment of location-specific things, hence the larger the remittance rate.

The above discussion points to two groups of variables that determine remittances which we may categorize as macro and micro in character. The macro variables are those that determine the market opportunities for overseas workers namely the two price vectors of consumer goods and the two yield/risk vectors of assets (domestic and foreign). The micro variables are those that determine the workers (and his family's) preferences for consumption goods and assets. These are the demographic and socioeconomic variables. At the aggregate level, we may expect the level and rate of remittance to be a function of the price and yield/risk vectors and the demographic and socioeconomic profile of the overseas workers. The level of their income is the scale variable. Some domestic macro variables have an obvious effect on remittances--inflation rate, devaluation, price and foreign exchange rate expectations, tariff rate and political and other uncertainty. Inflation will lower the relative price of foreign goods while devaluation will have the opposite effect. Tariff raises the domestic price of imports or import substitutes or equivalently lowers the foreign country's price of the same imports. Expectation of currency depreciation will raise the return to foreign exchange holdings. Foreign exchange rate control leads to the black marketing of

foreign exchange earnings and therefore their informal remittance. Low interest rate policy and uncertainty make domestic assets relatively unattractive. It is seen that so many unseemingly unrelated policies influence remittances. Many Philippine policies have negative impact on remittances which explain the large difference between reported or officially channelled remittances and the expected levels estimated in the study.

Some policies that are inimical to the inflow of foreign exchange are listed and briefly described below.

1. The inflation rate has been allowed to accelerate since the beginning of the 70s. Econometric studies show that monetary growth has been at least an accommodating factor to the import price increases, if not a concomitant cause. The exchange rate has been allowed to adjust to market level not so freely but at rates controlled by the Central Bank. The perennial large BOP deficit in all years except 1973 and 1977 over the 1970-1983 period, and the less than automatic adjustment in the exchange rate built up an exchange rate depreciation expectation. The country also maintains one of the highest tariff structures in the world, the highest in East and Southeast Asia while the oil-rich countries in which the overseas workers are mostly employed maintain little or no tariffs.

And though interest rate ceilings have been removed since July 1981, inflation and the oligopoly structure of the

banking industry have resulted in low and oftentimes negative real rates on deposits. Deposits are the main since the market for other alternatives, particularly securities, is still undeveloped. Because of high inflation, the real rate on savings and time deposits was negative in the last 10 years. Customs and airline freight policies have been also conducive to foreign purchases of consumer goods. Balikbayans (returning Filipinos) and balik workers (returning workers) are given very lenient customs inspection and freight allowances by the Philippine Airlines, the country's flagship. Other airlines such as the Singapore Airlines offer competing freight privilege of up to 100 kilos baggage. These privileges have even encouraged some balikbayans to engage in the import trade.

Lack of time series data does not allow us to see the effect of these policies via the movement in the inflation, exchange rate, interest rate, etc. on remittance rate. The discouraging effect of policies is merely shown in the rather poor rate of remittance through official channels.

The POEA made available to us the raw data of their 1981 survey of re-exiting workers who came back for vacation or home leave. The cross-section data allow us to show the effect of micro variables on remittance. There were a total of 1,539 sample out of a total 2,513 applying for travel papers in April-May 1981. A three-page written questionnaire containing 23 variables was administered. The sample workers were left unassisted in answering the questionnaire which resulted in a rather high information loss. The less educated workers are not used to following written instructions and left many questions unanswered. Gamboa and Cuayo who analyzed the survey results were able to use only 480 observations which have complete answers. Their sample has an upward income, education and occupation bias. We tried to obtain a more representative sample by including those with complete answers in just six variables: cash remittance RC, merchandise RM, foreign exchange earnings FE, duration of employment abroad LS, occupation OC, education E, and age. The sample was further limited to those with answers in U.S. dollars. A new sample of 796 workers was processed and put on computer file. The mean values of the variables and some of the

distribution differ from those of the OEDB-Gamboa/Cuayo values as follows:

	<u>This Paper</u> <u>796 Sample</u>	<u>OEDB-G/C</u> <u>480 Sample</u>
Mean FE	\$7,776	\$8,480
Mean RC	3,238	3,475
Mean RM	1,005	1,005
Mean LS	2.8 years	2.0 years
Mean age	34.2 years	35.0 years

To summarize, the value of remittance is assumed to be influenced principally by the following variables:

1. FE = foreign exchange earnings U.S. dollars
2. Educational attainment classified into

E_1 = some elementary

E_2 = completed elementary

E_3 = some high school

E_4 = completed high school

E_5 = some college

E_6 = completed college

E_7 = graduate degree

3. Occupation

OC_1 = professional and related

OC_2 = administrative, executive, managerial

- OC₃ = clerical
- OC₄ = sales
- OC₅ = service
- OC₆ = agricultural
- OC₇ = production, construction, equipment
and transport operators

- 4. Length of overseas employment in months, LS
- 5. Country of destination ranked by cost of living index
- 6. Age in years
- 7. Number of dependents

Other variables may influence remittance but they are temporarily ignored in this paper. Besides, Gamboa and Cuayo found only variables 1 and 4 and marital status to be significant determinants of remittance. Many workers (235 out of 1,513) did not answer the question on number of dependents possibly because the meaning is somewhat illusive in this country of extensive family culture. A more elaborate questioning on dependence is needed in order to separate the number of full dependents like children and wife from relatives of lesser and varying degree of dependence.

Country of destination which could proxy for relative price of consumption goods and relative rates of return on assets was not used because the sample obtained came mainly (90 percent) from one location.

Several specifications of the function are used mainly to remove the correlation between the independent variables.

Essentially we have

$$CR = A_0 + a_1 FE + a_2 LS + a_{31} OC_1 + a_{32} OC_2 \dots + a_{41} E_1 + a_{42} E_2 \dots + e$$

with e as the error term. We tried regressing CR and TR on FE and LS only, then with occupation, then with education and age. Lastly, the rate of remittance or CR/FE was used as the dependent variable. The results are given in Table 10.

All the regressions using the absolute value of remittances show foreign exchange earnings to be a highly significant explanatory variable. The average propensity to remit foreign exchange earnings FE is about .2 while the remittance elasticity at the mean is about one-half. The value of the intercept is quite high or \$3,239 cash remittance or \$4,244 total remittance. The intercept may be interpreted as the basic remittance of the workers. There is some but not serious multicollinearity between the explanatory variables especially between foreign exchange earnings FE and the highest categories of occupation and education. For cross-section data the $\bar{R}^2$'s are acceptably high at 13 to 14 percent for the regressions where LS and OC_1 and LS and E are included as regressands. Duration of employment, LS , contributes minimally to remittances while belonging to the higher occupation categories adds substantially to the value remitted:

\$1,392 for OC_1 (professional), \$2,486 for OC_2 (administrative, managerial...) and \$728 for OC_3 (clerical workers) as compared to service workers (the dummy variable dropped).

Production workers OC_7 sends \$324 more than service workers.

Merchandise remittance increases the marginal remittance at different degree for the various occupations. It is more than double the cash remittance for production workers (OC_7) or 1.18 higher, .85 more for clerical workers; .33 for professional workers, .15 for sales and only .065 for the highest paid workers, i.e. the administrative, managerial.... The merchandise brought home are mainly electronics appliances whose tariff rate is higher in the Philippines than in the Middle East. Administrative and managerial workers have probably accumulated enough of them before their departure for the Middle East so they bring relatively less home.

The last regression set using the rate of remittance CR/FE gives a very low R^2 s but with similar significant variables-- LS_1 , OC_1 , OC_2 or LS_1 , E_1 and E_6 . The value of the intercept is .44. Duration of employment, LS , though significant adds minimally to the remittance rate but belonging to professional occupation, OC_1 , raises the remittance rate by 4.2 percentage points and to administrative and managerial occupation OC_2 by 9.2 percentage points. Having completed college education raises the remittance rate by 10 percentage points. The relatively

high and significant coefficient of E_1 , the elementary education level category is unexpected and still needs to be explained.

The remittance rate is found to be much lower than the mandatory rate set by the government or 70 percent for construction workers and seamen, and for professional and clerical workers who receive free board and lodging. It is likely that overseas workers currently desire a lower remittance rate than the mandatory rate because of the overvaluation of the peso by about 50 percent. Unfortunately we have no data on remittances and number of overseas workers with which to analyze the response of the rate of remittance to the exchange rate, the rate of overvaluation of the peso and domestic inflation rate. These variables would determine the relative price of domestic and foreign goods and the rate of return on foreign assets. The cross-section study shows only how much remittance depends not just on the overall level of foreign wage but on the skill composition of the workers.

4. Workers Family Welfare and Remittance Allocation

A comparison of the salary of the workers in their last Philippine occupations and overseas roughly indicates income gains and the possible welfare gains from the additional income due to overseas employment. In 1981 when the IIMS survey was taken, foreign salaries in pesos were about five times the salary in last Philippine employment as shown in Table 11. The remittances allowed the workers' families to increase their level of consumption

and investment. When the reexiting workers were asked where the money remitted was "mainly spent" 82 percent checked consumption, 57 percent children's education, and 49 percent, debt payment. A large enough number checked various forms of saving or investment in home improvement or construction and savings deposit. (See Table 12.) The IIMS survey reproduced in Table 13 shows more clearly the vast improvement in overseas workers' capital accumulation. When asked about their plans after overseas employment, a great majority or 76.6 percent cited "putting up a business." The rest of the sample checked five other plans including 2.6 percent envisaging buying a farm. Workers deciding to seek overseas employment, look at it as an opportunity for raising lifetime income, hence the substantial increase in saving.

Part III

SUMMARY FINDINGS AND CONCLUSION

Government policy toward overseas workers is inconsistent. On the one hand the government tries to protect the workers from exploitation by recruiters and bad employment contracts, on the other hand, it leaves them with meager protection in their foreign place of employment. Overall economic policy has been inimical to foreign exchange remittance.

Faced with BOP and debt servicing difficulties the government decreed an onerous law requiring the mandatory

official remittance of 50 to 70 percent of overseas workers salary while at the same time maintaining an overvalued currency. In order to sustain the unrealistic rate of ₦14/\$1, exchange controls are adopted. This foreign exchange policy naturally led to the growth of a black market which has been reported to buy/sell foreign exchange at ₦18/\$1 to ₦22/\$1. The workers seem to have been able to evade the law since a relatively small remittance (\$955 million only) was collected in 1983. Our calculation placed the expected remittance at more than \$3.0 Billion. Those who remitted at ₦14/\$1 were taxed to the extent of the black market premium. Unfortunately the workers differ in their ability to engage in the black market. There are those who signed remittance agreement with their employers or their agents while others directly receive their foreign salary and are therefore free to dispose of their earnings. In addition to the exchange policy, several macroeconomic policies such as on monetary expansion and inflation, interest rate and tariffs have been discouraging to remittance. There has been a pressure for import demand to rise faster than export supply leading to a continuous deterioration of the exchange rate beginning at ₦2.0/\$1 in 1946 (and in the American colonial times) to ₦4/\$1 in 1964 to ₦14/\$1 in 1983. Economic policies have either induced such a trend or at best they failed to correct. It is expected that this trend would feed on expectations of further deterioration and lead to the holding of foreign exchange in foreign deposit accounts and/or investment in foreign assets.

This could be avoided by adopting correct policy on foreign exchange deposits in domestic banks. As a whole, it may be concluded that the government has ignored the use of macro-economic tools in its remittance policy. It took instead, an apparently easy measure, that of force.

The government has successfully instituted a system of preventing exorbitant placement and travel fees and the sale of fake passports and employment contracts, frauds that appeared to be rampant until recently. Job orders are evaluated and made to meet standard terms of employment including minimum wage and board and lodging provisions. The workers placement papers have to be evaluated and approved in a sequence from job order to actual departure. The close monitoring of the placement process has prevented fraudulent recruitment practices. Contrary to other government procedures, it has not resulted in red tape. It has in fact led to a faster placement processing. There were important organizational improvements in the various bureaus and units involved with overseas workers that helps in the enforcement of the rules and procedure for workers protection at home. All these changes were achieved in two years time but it is hoped that the changes would extend to other aspects of labor protection.

In contrast to its efforts in the home front, the government has neglected to provide adequate labor representations in the Middle East, Japan, Hongkong and Europe where large number of

Filipino workers are employed. There are only 14 labor attaches in these places, too few to effectively handle the labor problems of the thousands of contract workers employed there or to act as a preventative of their exploitation. The inadequacy is especially lamentable when considered in light of policy and programs for other foreign exchange earning activities. The non-traditional export industry and tourism have been given important incentives and support like tax and interest rate privileges, sales promotion and expensive infrastructures. Billions of pesos have been spent on resorts, hotels and trade centers in foreign capitals like New York in order to stimulate trade and tourism. And yet the net foreign exchange contribution of the affected sectors like tourism is less than that of overseas employment. Humanitarian reasons also call for a more effective government presence in the employment centers so that the workers will have recourse to law when confronted with labor and other problems.

The major labor exporting countries in Asia--Bangladesh, India, Pakistan, the Philippines, Sri Lanka and Thailand--share a common interest in protecting their overseas workers in their place of employment and even in the domestic market. Little is known as yet about the protective measures each country has developed and how effective they have been in achieving their purposes. Little is known either of the labor laws covering overseas workers in the labor importing countries of the Middle

East, Japan, Hongkong and Europe. Cooperation among the Asian exporting countries for assessing the status of overseas labor protection and for identifying problem areas and solutions seem to be highly wanting. The countries may need to negotiate for fair labor laws and they can do this more expeditiously as a group than individually. They should examine the feasibility of establishing joint labor relations offices in the employment centers which are to be charged with inspection of working conditions, adjudication of labor cases, developing welfare programs and other related services. There will be economies of scale and more forceful representation in such cooperative efforts.

Table 1

PROCESSED LAND-BASED CONTRACT WORKERS AND SEAMEN
BY MAJOR OCCUPATIONAL GROUPING
1975-1983

Major Occupational Group	1975	1976	1977	1978	1979	1980	1981	1982	1983	Total
Professional, technical and related workers	4,760	2,924	2,650	5,238	9,584	11,966	12,347	15,010	39,814	117,410
Entertainers	1,925	3,872	2,057	6,097	8,380	12,395	14,333	13,425	13,117	75,601
Managerial, executive and administrative workers	71	82	210	331	1,441	740	1,804	1,462	1,671	8,012
Clerical workers	225	370	944	1,516	2,896	5,383	2,585	8,519	14,189	36,627
Sales workers	53	16	30	69	265	451	466	1,394	2,259	5,003
Service workers	2,747	3,893	4,576	7,910	14,089	23,442	33,109	43,248	58,151	191,165
Agricultural, animal husbandry, forestry workers and fishermen	118	74	123	37	186	1,581	1,322	1,158	1,641	6,240
Production process workers, transport equipment operators and laborers	1,602	7,390	26,086	29,763	55,678	101,436	144,970	165,899	249,222	783,646
Seafarers	23,534	28,614	33,699	37,280	44,018	57,196	55,307	64,169	53,944	398,561
Land-based	12,501	19,221	36,676	50,961	92,519	157,394	210,936	250,115	380,264	
TOTAL	36,035	47,835	70,375	88,241	137,337	214,590	266,243	314,284	444,208	1,899,820

Table 2

PROCESSED LAND-BASED CONTRACT WORKERS
BY MAJOR WORLD GROUPING
1975-1983

Major World Group	1975	1976	1977	1978	1979	1980	1981	1982	1983	1980-1983	Percent Distribution 1975-1983
Africa	342	473	515	1,305	1,134	1,611	2,144	1,098	2,353	.7	.9
Asia	4,217	5,399	5,290	9,994	12,604	17,708	20,322	31,011	40,814	11.0	12.2
Europe	3,160	2,902	2,482	1,268	673	846	1,126	1,465	2,878	.6	1.4
Middle East	1,552	7,813	25,721	34,441	73,210	132,044	183,582	210,972	323,414	85.1	82.3
Oceania	551	133	139	80	312	165	223	714	2,072	.3	.4
The Americas	2,286	2,168	2,266	3,371	3,744	3,534	2,101	3,707	5,646	1.5	2.1
Trust Territories	<u>393</u>	<u>333</u>	<u>263</u>	<u>502</u>	<u>842</u>	<u>1,486</u>	<u>1,438</u>	<u>1,148</u>	<u>3,086</u>	<u>.7</u>	<u>.8</u>
TOTAL	12,501	19,221	36,676	50,961	92,519	157,394	210,936	250,115	380,263	100.0	100.0

Table 3

PROCESSED LAND-BASED CONTRACT WORKERS
BY MAJOR WORLD GROUP AND MAJOR CATEGORY
1 9 8 3

	Profes- sional, Technical & Related Workers (Enter- tainers)	Adminis- trative, Executive & Manage- rial Workers	Clerical Workers	Sales Workers	Service Workers	Agri- cultural, Animal Husbandry, Forestry Workers & Fishermen	Production Process Workers, Transport Equipment Operators & Laborers	Total	Percent
The Americas	2,982	7	71		942		1,644	5,646	1.48
Africa	1,388	53	29	4	42	5	832	2,353	0.62
Asia	12,795 (11,873)	106	292	78	15,474	2	12,067	40,814	10.73
Middle East	34,165 (425)	1,586	13,587	1,987	39,429	1,508	231,152	323,414	85.05
Europe	932 (643)	6	22	10	1,618	2	288	2,878	0.76
Trust Territories	357 (171)	30	106	120	547	120	1,746	3,086	0.81
Oceania	312	82	82		99	4	1,493	2,072	0.55
Total	52,031 (13,117)	1,870	14,180	2,259	58,151	1,641	249,222	380,363	100.00
Percentage	13.92 (3.45)	0.49	3.73	0.59	15.29	0.43	65.55		100.00

Source: POEA Annual Report 1983.

Table 4

DISTRIBUTION OF DIPLOMATIC ATTACHE BY MINISTRY AND BY COUNTRY OR REGION
1983

Ministry	Number	Percent	U.S. & Canada	Asia including Australia & New Zealand	Europe	Middle East & Africa
Trade	62	21.4	26	16	16	4
Labor	17	5.9	3	4	3	7
Revenue	30	10.3	17	7	2	4
Tourism	42	14.5	21	13	8	-
Defense	63	21.7	23	29	5	6
Finance	22	7.6	2	4	1	15
Media	36	12.1	30	2	2	2
Others	<u>19</u>	<u>6.6</u>	<u>12</u>	<u>2</u>	<u>3</u>	<u>2</u>
Total	291		134	77	40	40
Total in %		100.0	46.1	26.5	13.7	13.7

Source: Unpublished listing of the Ministry of Foreign Affairs.

Table 5

DISTRIBUTION OF COMPLAINT CASES FILED IN SAUDI ARABIA
BY OCCUPATION, NATURE OF COMPLAINTS AND
SALARY OF COMPLAINANTS
JANUARY TO DECEMBER 1982

A. Nature of Complaints	Domestic Helpers	Skilled Workers	Professional Workers
1) Nonpayment of salary	5	4	1
2) Less or delayed salaries	66	35	5
3) Poor working condition	97	49	5
4) Maltreatment	<u>100</u>	<u>41</u>	<u>2</u>
Total	268	129	13
Ratio: Number of Complaints to Number of Complainants	2.09	1.95	2.17
B. Educational Attainment			
1) Uneducated/Not indicated	5	0	0
2) Elementary	8	5	0
3) High school	72	43	0
4) Incomplete college	24	15	1
5) College graduate	<u>19</u>	<u>3</u>	<u>5</u>
Total	128	66	6
In Percent	64.0	33.0	3.0
C. Monthly Salary in US\$			
1) 100-199	3	0	0
2) 200-299	94	21	1
3) 300-399	27	22	0
4) 400-499	1	15	0
5) 500-599	1	4	1
6) 600-above	<u>2</u>	<u>4</u>	<u>4</u>
Total	128	66	6

Table 6

DISTRIBUTION OF OVERSEAS WORKERS
BY OCCUPATION ABROAD AND
OCCUPATION IN THE PHILIPPINES

A. Complainants in Saudi Arabia

<u>Saudi Arabia</u>		<u>Philippines</u>			
In Number:					
1. Domestic Helpers	66	21	13	28	128
2. Skilled Workers	11	29	3	13	66
3. Professional Workers	0	0	6	0	6
In Percent:					
1. Domestic Helpers	51.6	16.4	10.2	21.9	100.0
2. Skilled Workers	16.9	60.0	4.5	18.5	100.0
3. Professional Workers	0	0	100.0	0	100.0

B. IIMS Sample of Overseas Workers (1982)

<u>Occupation Abroad</u>	<u>Last Occupation in the Philippines (in Percent)</u>					
	<u>N</u>	<u>Service</u>	<u>Craftsmen & Tr. Workers</u>	<u>Cler., Adm., Prof. Workers</u>	<u>Seafarers</u>	<u>Total</u>
1. Service	76	76.3	5.3	3.9	14.5	100.0
2. Craftsmen and Transport Workers	329	5.2	77.8	2.8	14.3	100.0
3. Clerical, Adminis- trative and Profes- sional Workers	227	9.7	10.1	72.7	7.5	100.0
4. Seafarers	36	0	5.6	0	94.4	100.0

Source: Table 4.58, IIMS Socio Economic Consequences of Contract Labor Migration in the Philippines, March 1983.

Table 7

SELECTED BALANCE OF PAYMENTS ACCOUNT, 1975-1982

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	Ratio (in %) of Remittances to:		
External debt	Export		Total	Import	Trade Balance	Net Transfers	Current Account Balance	Tourism Income	Remittances			
	Mdse	Non-Mdse								Export (10)/(4)	Imports (10)/(5)	Tourism Income (10)/(9)
,799	2,294	907	3,201	4,412	-1,211	318	- 893	110	103	3.2	2.3	93.6
,517	2,574	871	3,445	4,718	-1,273	268	-1,005	93	111	3.2	2.4	119.4
,563	3,151	1,085	4,238	5,248	-1,012	260	- 752	145	213	5.0	4.1	146.9
,195	3,425	1,413	4,838	6,323	-1,485	312	-1,173	210	291	6.0	4.6	138.8
,778	4,601	1,576	6,177	8,108	-1,931	355	-1,576	238	365	5.9	4.5	153.4
,701	5,788	2,075	7,863	10,348	-2,485	434	- 751	320	421	5.3	4.1	131.6
,827	5,782	2,664	8,446	11,151	-2,705	472	-2,233	344	546	6.5	5.0	158.7
,469	4,995	2,881	7,876	11,666	-3,790	443	-3,347	450	818	10.4	7.0	181.8
,400 ¹									955			

Debt service is estimated to be equal to 10 percent interest rate plus 7.5 percent annual amortization on the \$20.8 billion fixed plus a 20 percent reduction in the \$4.6 billion revolving credit or about \$4.60 for 1983. Debt service = $4.6/8.0 = .58$

Central Bank Statistical Bulletin, 1981-82, Central Bank Report to the President, Jan.-Dec., 1982 and October 1983 for columns 1-8; CB unpublished data for columns 9-10. The 1983 remittance figure is from POEA Annual Report 1983.

Table 8
NUMBER OF WORKERS IN PLACE
1980-1983

	1980	1981	1982	1983
Seamen	-	248,088	283,276	312,701
Land-based	264,462	417,345	601,194	836 332
Total		665,433	884,470	1,149,033
Professional and Related Workers				62,105
Entertainers				49,225
Managers, Administrative and Related Workers				5,373
Clerical Workers				24,450
Service Workers				133,101
Production and Agri- cultural Workers, Transport and Equipment Operators, Others				562,077
Total				836,331

Source: Table 1.

Table 9

MEAN EARNINGS, MEAN REMITTANCES OF OVERSEAS WORKERS
(in U.S. Dollars)

		(1)	(2)	(3)		
	No. of Workers in Place 1981	Annual Salary	Total Earnings	Cash Remittance Rate (%)	Remittance per Worker (1) x (3)	Total Remittance (in mil. \$)
A. <u>ILMS Survey</u>						
• All workers	634,023	\$ 6,888	\$7,623	62.1	\$4,277	\$2,711.7
Land-based	385,945	7,298	7,702	59.9	4,371	1,687.0
Seamen	248,088	5,477	7,385	73.3	4,014	995.8
B. <u>OEDB Survey</u> (April-May 1981)						
All workers	634,023		\$8,480	41.0	\$3,475	\$2,203.2
C. <u>OEDB Minimum Salary* for Over- seas Work, 1983</u>	No. of Workers in Place 1983	Minimum Salary*	Mandatory Rate		Remittance Value, 1983 (\$ Million)	
Professional & related workers	54,444	\$ 9,600	50.0		\$ 261.3	
Entertainers	41,749	6,000	50.0		125.2	
Managerial & related workers	4,645	12,000	50.0		27.9	
Clerical workers	21,428	6,000	50.0		64.3	
Service workers	119,497	2,400	50.0		143.4	
Production workers, trans- port & heavy equipment ope- rators	503,851	4,800	70.0		1,692.9	
Total for land- based	745,652				\$2,315.0	
Seamen	312,701	6,000	70.0		1,313.3	
Total	1,058,353				\$3,628.3	

* This is roughly the average of the lower ranges of the minimum recommended by the POEA Accreditation Office for the various skill categories within each broad occupation group.

Source: Panel A: Teodosio-Jimenez (ILMS, Socio-Economic Consequences of Contract Labor Migration, 1983 Technical Report, Vol. II.

Panel B: Gamboa-Cuayo (OEDB), Analysis of OEDB Survey Data on Overseas Workers' Remittances, April 1982.

Panel C: Philippine Overseas Employment Administration Annual Report, 1982, 1983 and unpublished Schedule of Recommended Minimum Salaries.

Table 10
LINEAR REGRESSION RESULTS

Dependent Variable	Intercept	FE	LS	Occupation Categories	Education Categories	$\bar{R}^2$
CR	3,238.4	.241 (10.09)				.112
CR	3,238.4	.234 (9.69)	11.59 (1.89)			.115
CR	3,238.4	.192 (7.54)	12.30 (2.01)	(1) 1,392.50 (4.15) (2) 2,485.74 (3.60) (3) 728.02 (1.63) (4) - 712.43 (- .3) (7) 324.25 (1.01)		.150
CR	3,238.4	.204 (7.98)	11.72 (1.91)		(1) 2,752.40 (3.58) (2) 380.22 (.39) (4) 1,791.52 (2.02) (5) 251.76 (.67) (7) 655.19 (1.78) (7) 1,432.09 (4.17)	.153
TR	4,243.8	.272 (9.60)				.103
TR	4,243.8	.267 (9.32)	7.82 (1.07)			.103

Table 10
(Continued)

Dependent Variable	Intercept	FE	LS	Age	Occupation	R ²
TR	4,244	.202 (6.55)	6.05 (.81)	38.41 (1.97)	(1) 1,973.71 (4.89)	.132
					(2) 2,706.22 (3.30)	
					(3) 1,405.29 (2.65)	
					(4) - 471.04 (- .18)	
					(5) 683.81 (1.80)	
TR	4,244	.230 .230	5.31	27.87	(1) 3,576.33 (3.90)	.129
					(2) - 145.69 (- .12)	
					(4) 473.91 (1.05)	
					(5) 972.21 (2.22)	
					(6) 1,603.07 (3.88)	
					(7) 1,919.46 (1.82)	

Table 10
(Continued)

Dependent Variable	Intercept	FE	LS	Occupation Categories	Education Categories	$\bar{R}^2$
TR	4,243.8	.215 (7.11)	9.80 (1.35)	(1) 1,850.80 (4.64) (2) 2,648.80 (3.23) (3) 1,344.25 (2.53) (4) - 599.13 (- .23) (7) 709.52 (1.87)		.129
TR	4,243.77	.239 (7.87)	7.91 (1.08)		(1) 33689918 (4.03) (2) - 16.91 (- .01) (4) 489.11 (1.09) (5) 927.48 (2.11) (6) 1,514.20 (3.71) (7) 1,885.13 (1.79)	.128
CR/FE	.444		.002 (2.68)	(1) .052 (1.22) (2) .198 (2.13) (3) .048 (.80) (4) - .183 (- .61) (7) - .009 (- .23)		.01

Table 10
(Continued)

Dependent Variable	Intercept	FE	LS	Occupation Categories	Education Categories	R ²
CR/FE	.444		.002 (2.45)		(1) .646 (6.35)	
					(2) .061 (.47)	
					(4) .039 (.79)	
					(5) .055 (1.15)	
					(6) .099 (2.25)	
					(7) .034 (.30)	

CR is cash remittance, TR is total remittance, FE is annual foreign exchange earnings in U.S. dollars. There were no observations for agricultural workers. The dummy dropped is occupation 5 or service and education 3 or incomplete high school.

Table 11

SALARY IN LAST PHILIPPINE EMPLOYMENT AND IN OVERSEAS JOBS,
1981

	Last Philippine Employment	Last Overseas Employment
Professional	₱12,090	
Administrative	20,520	
Clerical	8,950	
Service	8,490	
Production	10,430	
Land-based	10,910	58,390
Seamen	9,580	43,830
All	11,000	55,140 at ₱8.0/\$1.0

Source: ILMS Survey, T. 4.59, T. 4.110a-c.

Table 12
USES OF REMITTANCES OF OVERSEAS WORKERS

	No. of Workers	Percent of Total
Purchase of consumption goods	395	82.29
Education of family	275	57.29
Payment of debts	235	48.96
Buy appliances	113	23.54
Build/Improve house	110	22.92
Savings in the bank	95	19.79
Start/Improve business	17	3.54
Others	18	3.75

Source: OEDB Survey, Table 7.

Table 13

PROPERTY INVESTMENTS BEFORE AND AFTER
OVERSEAS EMPLOYMENT (All Workers)

Property Investments (in Philippine Peso)*	Before		After	
	Number	Percentage	Number	Percentage
None	400	51.4	86	10.9
Less than ₱1,000	84	10.8	30	3.8
₱ 1,000- 1,999	44	5.7	56	7.0
2,000- 2,999	54	6.9	59	7.4
3,000- 4,999	60	7.7	84	10.6
5,000- 9,999	81	10.4	168	21.2
10,000-19,999	23	3.0	120	15.2
20,000-49,999	20	2.6	90	11.4
50,000-or more	12	1.5	99	12.5
Total	778	100.0	792	100.0
Mean**	₱4,260		₱21,093	

* In Philippine peso. Conversion rate used: US\$1 = ₱8.00.

** The open ended.

Source: IIMS Survey, T. 4.136a.