

Eradicating Poverty in the Philippines by OFWs: One Remittance at a Time

I. Introduction

The last few decades have been distinctively marked by the strides of massive international migration. Not only has global migration been getting attention through media and in the academia, but it has also received some push from national governments as this phenomenon depicts increasing growth in a country's economic image. International migration is characterized by a movement of people beyond a country's borders. More often than not, immigrants leave in pursuit of a better life in another country. Some travel and work overseas in order to contribute to their family's socioeconomic mobility back in their homeland. Overseas Filipino Workers (OFWs) are a prime example; these are Filipinos who work abroad that are expected to return permanently either upon their expiration of a work contract or upon retirement.¹ The fruits of their labor abroad are primarily distinguished through remittances, or money or payment sent to someone else. In the case of OFW migrants, it is often money sent from the host country to the home country for family.² Remittances sent through the international banking system are immediately caught in the country's balance of payments which is tracked by the Bangko Sentral ng Pilipinas (BSP).³ These remittances have greatly affected not only their family's financial well-being, but also their home country's economy. Arguably, remittances have a positive contribution to development. The connection between OFWs and remittances and their impact on poverty reduction in the Philippines are becoming a global issue. Although there has not been much studies being done on remittances particularly in the Philippines, there are

¹Sharkey, Anne. September 2015. *Philippine Migration, Remittances, and Overseas Filipino Workers*. Huntley High School.

² Ibid.

³ Sicat, Gerardo P. *CrossRoads: Toward Philippine Economic and Social Progress*.: "Worker Remittances and the Philippines Economy" Commission of Filipinos Overseas. cfo.gov.ph

still much areas that need to be explored in greater detail. This paper will take a specific focus on the impact of migration on poverty in the Philippines by looking at the effects of OFW remittances through three levels of analysis: macro-level, meso-level, and micro-level. In addition to the beginning of this paper that gives a brief overview and introduction of the issue, the paper is organized as follows. The next section gives a contextual understanding of development as its definition can take on a multitude of meanings just based on the topic. As we define development, it will flow into its implications on the Sustainable Development Goals (SDGs), specifically SDG #1: 'No Poverty'. Section three devotes itself to the country profile and a brief history of the beginnings of OFWs and remittances. Section four looks at the multitude of effects of remittances as poverty reduction in the Philippines through three different levels of analysis. Section five exhibits SDG interventions and what investments have been done to eradicate poverty in the Philippines. This section still focuses on labor migration of OFWs and remittances and the programs set under the direction embarked by the SDGs. Section six brings in an analysis of the different factors to evaluate and analyze SDG programs and their success or needs on improvement. Lastly, section seven will summarize the paper and pose questions that need to be explored in larger project.

II. Defining Development

In the international context, development is used to describe the progression made in a particular country. Development is utilized to demonstrate the growth and prosperity of a nation, usually in comparison to the Western world. When one thinks about development, it is often thought of as how Western countries or the “Global North” can come into aid to the “Global South”, particularly discussing about the East; however, this is truly not the case. The overall objectives of development is to improve the desired living conditions for everyone in a society by providing them opportunities to attain success and prosperity. Although it could be argued that the reason why OFWs migrate out of the Philippines is because there are no opportunities for social mobility but rather to plummet down even more so in poverty. Development is not just set on one factor such as geography, but also the economy, history, and institutions. One cannot simply assess a country’s development on solely one factor. Key understandings of the Philippines’ economy, history and institutions bring in further knowledge and background to OFWs and remittances and their importances to poverty reduction. While development seems like a rather broad and unattainable international issue, there are concrete and action-prone steps that could be done to achieve this. In September 2015, the United National General Assembly put forth the 17 Sustainable Development Goals (SDGs), a holistic approach of the world towards improving the lives of everyone in the world by 2030. These are the catalyst of change that will transform the world’s international development, one goal at a time. One of the SDGs envisions a world without poverty by eradicating it in all of its forms; ‘No Poverty’ is characterized by SDG #1. There is a challenge especially for a developing country to alleviate poverty, and one of these countries that is still facing poverty is the Philippines. The Philippine

government is constantly searching for ways and ideas to improve the lives of impoverished Filipino families. Poverty, high unemployment rates, and limited job opportunities in their homeland have pushed Filipinos to work abroad. Perceptions of a better opportunity abroad have encouraged Filipinos to seek labor immigration. Even the Philippine government pushes its citizens to pursue jobs overseas as remittances contribute largely to the economy. Despite local remittances helping their communities thrive, it is not as nearly as significant as the amount in comparison to the remittances from international labor migration.

III. Philippine Profile & History of Overseas Filipino Workers and Remittances

As early as the 1900s, there has already been traces of evidence with regards to movements toward permanent migration. This migration was sparked by other countries needing labor for a variety of work industries. When Hawaii had a lack of plantation laborers, it opened its market for Overseas Filipino Workers. During the 1930s, Filipinos migrated to California as contractual fruit-picking farmers as well as to Hawaii as plantation workers. When World War II erupted in the following decade, the second wave of Filipino migration arised. Filipinos were contracted to participate in the construction of American base. During the war, there was also a deficiency in the military healthcare providers in the United States. This incident granted over 100 million Filipino nurses working visas to the United States in order to supply care for soldiers during the war. Apart from the United States, there has been a global trend of Filipino labor migration all over the world, including the Middle East, Canada, Hong Kong, and Singapore. Overseas Filipino employment ranged from the professional field such as engineers and doctors to service or domestic worker jobs such as caregivers and housekeepers. The need for overseas

work carried over to the 21st century, and massive labor migration became a trend in the Philippines. Labor then became the country's biggest form of export. In 2002, there were 891,908 OFWs who left the Philippines in pursuit of labor abroad. In 2012, this number rose to 1,802,031.⁴ According to the Philippines Statistic Authority, there are currently about 2.2 million OFWs worldwide. This number represents 13% of the country's labor force.⁵ With a great deal of OFWs all across the globe, the total amount of remittances paralleled with it. As a number of Filipino begin to migrate to other countries, OFW remittances start to flow in to the Philippine economy.

In 2012, the International Monetary Fund (IMF) ranked the Philippines as the 3rd biggest recipient of migrant remittances around \$24 million. Two years after, this amount rose to \$26 million and has continued to do so since then.⁶ OFW remittances is crucial to the Philippine economy and sets the Philippines apart from its other Asian neighbors. While countries receive revenue from trading and other goods, remittance transfers became the largest source of foreign exchange in the Philippines. While there are certainly some positives that come about with this money transfer to the country, some might say that there are no real benefits or implications that it helps to alleviate poverty in the Philippines as the bulk of OFWs are found mainly in the higher income groups.⁷ Yet it is also overlooked that a lot of families are able to climb up the socio-economic ladder rapidly due overseas earnings. Although there are a lot of OFW families that come from comfortable households, it is undeniable that a significant number of poor have been able to migrate abroad and combat poverty because of remittances.

⁴ Philippine Statistics Authority. (PSA) 2016. psa.gov.ph

⁵ Commission of Filipinos Overseas (CoF) cfo.gov.ph

⁶ International Monetary Fund. Philippines Remittances and Statistics 2016.

⁷ Ducanes, Geoffrey and Abella, Manolo. January 2008. *Overseas Filipino Workers and their Impact on Household Poverty*. Regional Office for Asia and the Pacific.

IV. Remittances on Poverty Reduction

The consistent flow of remittances to a labor-exporting country like the Philippines plays an extremely vital role in its economy. Cattaneo writes that the volume of remittances benefit the recipient-households has some macro-economic impacts, particularly on development indicators.

⁸ International migration and remittances can constitute a visible mechanism for reshaping the Philippine economy. Aside from household recipients, OFW remittances bounces back to the entire country in different forms and features.

Micro-level of Analysis: Individual and Household

The primary direct beneficiary of OFW income is mainly remitted to their families in their home countries. These remittance transactions then help increase their family income. The remittances solely become the source of income for a majority of household budgets. The money is then used to finance basic necessities such as food and clothing. If there are extra or leftover funds, it could be utilized for luxury consumptions or some could also go to savings. With a stable source of income flowing, household consumption rises.⁹ Overall, OFW remittances help raise domestic living standards and helps keep their families from falling into the poverty trap. Aside from benefiting the household consumption, remittances also have a positive effect on educational outcomes. Families are able to send their children to prestigious institutions to receive quality education. This becomes an early investment to their future. According to Lopez-Cordova, similarly in Mexico, it shows that as the fraction of remittance-receiving

⁸ Cattaneo C. [2005]. "International Migration and Poverty; Cross-Country Analysis."

⁹ Sicat, Gerardo P. *CrossRoads: Toward Philippine Economic and Social Progress.*: "Worker Remittances and the Philippines Economy" Commission of Filipinos Overseas. cfo.gov.ph

household increases, child illiteracy and child school attendance from grade school to high school improves.¹⁰

Meso-level of Analysis: Local Communities

While remittances accrue directly to migrant family households, other members of the community can still indirectly benefit from these transfers, which in turn, promote local development. It has been mentioned previously that migrant family household consumption increases as a majority of their household incomes comes from remittances. If their household purchases go up, so does the demand for these goods. This will have a multiplier effect on local business, the creation of jobs, and production of goods. This drives the cycle of development amongst buyers and producers. Additionally, remittances can also contribute largely to the creation of services and community infrastructures such as schools, health centers and other communal spaces and projects. The unions and associations formed by immigrants could pool in their resources and send them to their home communities.¹¹ According to Sorensen and Pedersen, these unions can serve as platforms to advocate for significant development in the communities that will benefit both migrant and non-migrant families.¹²

Macro-level of Analysis: Philippine Economy

One of the most prevalent benefits of the remittances influx is the increase of foreign exchange earnings of the host labor country. The millions of dollars of remittances to the Philippines can be easily compared to the country's earnings from exports of good and services.

¹⁰ López Córdova, E. [2005]. "Globalization, Migration and Development: The Role of Mexican Migrant Remittances" *Economía*, Journal of the Latin American and Caribbean Economic Association

¹¹ Ghosh, B. [2006]. "Migrants' Remittances and Development: Myths, Rhetoric and Realities." International Organization for Migration (IOM).

¹² Sorensen, N. and P. Pedersen [2002]. "The Migration and Development Nexus: Evidence and Policy Options." Policy Study, Center for Development research (CDR), Copenhagen.

While the products of exports improved the economic structure and trade competency of the Philippines, OFW remittances have steadily increased more so when in comparison to export earnings. According to the Commission of Filipinos Overseas (CFO), “in 2001, the size of remittances was one-fourth of total exports of both merchandise goods and services. In 2005, this proportion rose to 30.5 percent. By 2010, this was 38.3 percent and by 2011, 44 percent of total exports.”¹³ With the unpredictability of outcomes from exports, OFW remittances is much more dependable in terms of stability and steady rise in volume. As a general demographic, OFW remittances have positively contributed to the country’s earnings of foreign exchange. Through these remittance transactions, it has strengthened the nation’s balance of payments positions.¹⁴ Lastly, the rise of remittances in the Philippine economy produces a favorable impact on the country’s balance of payments (BOP), the record of the transactions of the country’s residents with the rest of the world. The steady flow of remittances allow the Philippines to purchase more foreign goods and services. This allows the country to be in a more comfortable decision to service its external debt and other global duties or obligations. With this recognition, it signals the Philippines’ financial economy to be improving.

V. SDG Intervention: What Has Been Done?

The Philippines stands to gain a lot from effective inclusion of migration in the post 2015 international development agenda. The SDGs target cover many of the Philippines’ primary interest including international migration such as promoting rights of Overseas Filipino Workers (OFWs), enabling more and efficient remittances from OFWs, and addressing the recent

¹³ Sicat, Gerardo P. *CrossRoads: Toward Philippine Economic and Social Progress.*: “Worker Remittances and the Philippines Economy” Commission of Filipinos Overseas. cfo.gov.ph

¹⁴ *ibid*

feminisation of migration. Even before the creation of the 2015 Sustainable Development Goals, the Philippines have widely accepted the 2000 Millennium Development Goals (MDGs) all over the country. The MDGs have been woven into national development plans by the government, and it is utilized to monitor through implementation and coordination. The MDGs were able to rally up some support and organized actions with local and national institutions to bring about improvements in human development.

In coordination with other United Nations agencies, the United Nations Development Programme (UNDP) spearheads the final push within the last four years of the MDGs. In April 2011, one of its successful partnerships with Western Union created the Overseas Filipinos Remittances for Development: Building a Future Back Home (OFs-RED). According to UNDP's Fast Facts Lagom, it aimed to, "tap into the close US\$20 billion annual remittances from overseas Filipinos by creating an effective mechanism for them to collectively invest in the development of their communities while advancing progress towards the MDGs."¹⁵ OFs-RED believed that overseas remittance is a powerful driver of development, particularly on economic opportunities. This project aimed to educate Filipinos back home on financial literacy and encouraged them to save and invest. With a pool of remittances going into development, these investments were expected to make a positive return and stimulate economic activity, especially among the impoverished community.¹⁶ At the end of the day, this project became much more a tool to financial literacy, but rather offered a much more meaningful return on their hard-earned money as well as comfort and reassurance while they are away from their loved ones.

¹⁵United National Development Programme Fast Facts Lagom: The Millennium Development Goals in the Philippines. A Universal Development Framework. ph.undp.org

¹⁶ Overseas Filipinos Remittances for Development Project: Building a Future Back Home. UNDP Philippines. ph.undp.org

Transitioning from the 2000 MDGs to the 2015 SDGs, the Universal Framework has been more inclusive of not just caring for the economy and flow of overseas money into the country, but also advocating for labor migrant rights and ensuring their protection. Under the SDGs, the Philippines is also taking key steps in addressing ‘jobless growth’ and decreasing unemployment rates. Though this is mentioned in the Philippine Development Plan (PDP), increasing decent work in the Philippines will make migration more of a choice rather than on the basis of need. By focusing more on the production sectors, there is a potential to generate sustainable employment for Filipinos and increase the country’s development on its own.

VI. Analysis and Findings

While the SDGs provide a framework and puts ‘No Poverty’ as the number one SDG, it takes the focus away from immigrant rights, which is just as, or arguable even more, essential or significant to development. There are many programs that tailors to the economic well-being of the Philippines, but there is a lack of immigrant rights issues being discussed. According to Francois Crépeau, the United Nations Special Rapporteur on human rights of migrants, “The focus should not be on simply reducing the cost and increasing the flow of remittances, but rather on the human cost of migration.” The 2015 SDGs are created so that the government could showcase its commitment to human rights. One way they could improve on immigrant rights is to collect more data in order for this type of knowledge or awareness to be visible within a variety of different spaces. “Improving data collection on migratory status is included as a provision in the SDGs, however, efforts involving migration data should go further than this. Data should drive all dialogue and policy on migration and development, and this requires

international collaboration that the Philippines can help drive.”¹⁷ In addition, instead of focusing creating this dependence on remittances, quality jobs should be the leading combating factor of poverty in the Philippines. Serrano Isagani of Social Watch states that, “it is not just access to jobs but quality jobs that allows people to combat poverty. One can have a job but be part of that category referred to as the ‘working poor.’”¹⁸

VII. Concluding Remarks and Thoughts

Overall, despite the dependence of the country on remittances as well as the constant push of the government for Filipinos to pursue work abroad, the effects of remittances from international labor migration of OFWs have catalyzed and revitalized the Philippine economy than any other source of economic gain such as trade or foreign exchange. From individual households to the local communities then the national economy, OFW remittances have impacted each and everyone in the country whether it would be a direct action or not. While the SDGs outline broad goals and objectives to be obtained, it creates a set of realistic expectations that could be achieved through cooperation and understanding. Yet the question remains: would the Philippines be able to sustain quality jobs enough to bring home OFWs back home? How would the slow decline of remittances in the future affect the Philippine economy? Geography is by no means one’s destiny, but one can be hopeful that geography could be shaped by development through institutional changes and kind actions.

¹⁷ “The Post-2015 Development Agenda, Migration & the Philippines” 1. Advocating for better data collection” Prepared by the Center for Migrant and Advocacy (CMA). Supported by Friedrich Elbert Stiftung (FES). August 2015.

¹⁸ *Achieving Sustainable Development*. Serrano Isagani. Social Watch Philippines. 2015

Bibliography

- Achieving Sustainable Development*. Serrano Isagani. Social Watch Philippines. 2015.
- Cattaneo C. [2005]. "International Migration and Poverty; Cross-Country Analysis."
- Commission of Filipinos Overseas (CoF) cfo.gov.ph
- Ducanes, Geoffrey and Abella, Manolo. January 2008. *Overseas Filipino Workers and their Impact on Household Poverty*. Regional Office for Asia and the Pacific.
- Ghosh, B. [2006]. "Migrants' Remittances and Development: Myths, Rhetoric and Realities." International Organization for Migration (IOM).
- López Córdova, E. [2005]. "Globalization, Migration and Development: The Role of Mexican Migrant Remittances" *Economia*, Journal of the Latin American and Caribbean Economic Association
- Overseas Filipinos Remittances for Development Project: Building a Future Back Home. UNDP Philippines. Ph.undp.org
- Philippine Statistics Authority. (PSA) 2016. psa.gov.ph
- Sicat, Gerardo P. *CrossRoads: Toward Philippine Economic and Social Progress*.: "Worker Remittances and the Philippines Economy" Commission of Filipinos Overseas. cfo.gov.ph
- Sharkey, Anne. September 2015. *Philippine Migration, Remittances, and Overseas Filipino Workers*. Huntley High School.
- Sorensen, N. and P. Pedersen [2002]. "The Migration and Development Nexus: Evidence and Policy Options." Policy Study, Center for Development research (CDR), Copenhagen.
- "The Post-2015 Development Agenda, Migration & the Philippines" 1. Advocating for better

data collection” Prepared by the Center for Migrant and Advocacy (CMA). Supported by Friedrich Elbert Stiftung (FES). August 2015.

United National Development Programme Fast Facts Lagom: The Millennium Development Goals in the Philippines. A Universal Development Framework. ph.undp.org