

# **Migration in An Open-Education Labor Market: A Supply Response**

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# Key Messages

- The paper puts migration in the context of an open-education labor market. Foreign demand for labor of a particular skill increases the aggregate demand and the demand for that skill.
- Migration is a response to world demand. Generally, foreign wage is higher than domestic wage for most skills. The higher foreign wage draws labor into foreign markets.

# Statistics on Migrants

- Table 1 on Stock of Migrants – those abroad at a given time
- Two Groups of Migrants
  1. Permanent Migrants (Table 2)
  2. Overseas Filipino Workers (OFW) on 1-2 year contract.

\*Data on Total Deployed and on Rehires and New Hires

Table 3 – Destination by Region, New Hires

Table 4 – Occupation of New Hires, downturn in  
2007-2008

Table 5 – Seafarers consist of those in Trading  
Services, those in passenger and cruise  
vessels that is fast growing

# Table 1. Stock Estimate of Overseas Filipinos (as of December 1998, 2006, 2007)

Region/ Country	Permanent			Temporary			Irregular		
	1998	2006	2007	1998	2006	2007	1998	2006	2007
<b>World Total</b>	<b>2,333,843</b>	<b>3,556,035</b>	<b>3,692,527</b>	<b>2,961,254</b>	<b>3,802,345</b>	<b>4,133,970</b>	<b>7,209,038</b>	<b>8,233,172</b>	<b>900,023</b>
Africa	67	553	1,983	33,162	71,503	69,880	7,062	17,742	18,540
Asia, East & South	52,594	196,968	213,736	953,944	789,110	747,069	589,847	237,600	258,640
Japan	48,939	124,772	133,528	128,465	103,555	38,329	48,000	30,700	30,700
Malaysia	281	26,001	26,002	83,166	88,372	90,965	396,813	125,000	128,000
Asia, West	890	3,523	4,082	1,038,775	1,723,911	2,055,647	107,561	112,550	121,850
Saudi Arabia	214	247	350	627,049	1,001,330	1,046,051	22,951	18,000	20,000
Europe	20,486	229,132	284,987	450,723	534,748	555,542	254,716	124,380	112,990
Americas/ Trust Territories	2,059,126	2,887,129	2,943,812	252,440	333,763	354,352	936,759	356,400	354,843
Canada	313,867	396,054	410,626	8,043	38,886	49,309	75,000	3,000	3,000
United States	1,716,401	2,443,269	2,517,833	58,681	128,440	128,910	844,046	156,500	155,843
Oceania	200,680	238,730	243,927	38,910	74,813	84,927	17,996	26,420	33,160
Sea based Workers	193,300				274,497	266,553			

**Table 1. Stock Estimate of Overseas Filipinos  
(as of December 1998, 2006, 2007)**

Region/Country	Total		
	1998	2006	2007
<b>World Total</b>	<b>7,209,038</b>	<b>8,233,172</b>	<b>8,726,520</b>
Africa	40,291	89,798	90,403
Asia, East & South	1,596,385	1,223,678	1,219,445
Japan	225,404	258,977	202,557
Malaysia	480,260	239,373	244,967
Asia, West	1,147,226	1,839,684	2,181,579
Saudi Arabia	650,214	1,019,577	1,066,401
Europe	725,925	888,260	953,519
Americas/ Trust Territories	3,248,325	3,577,292	3,653,007
Canada	396,910	437,940	462,935
United States	2,619,128	2,728,209	2,802,586
Oceania	257,586	339,963	362,014
Sea based Workers	193,300	274,497	266,552

# Table 2. Number of Registered Filipino Emigrants by Major Country of Destination: 1981-2006

Year	USA*	Canada	Australia & New Zealand	Japan	Europe***	Total
1981-1984**	38,555	4,133	2,835	210	668	46,711
1985-1989**	40,204	5,140	6,455	304	717	53,060
1990-1994**	43,943	9,799	4,553	4,063	1,119	64,138
1995-1999**	32,387	8,383	2,861	4,319	1,048	50,146
2000	31,324	8,245	2,559	6,468	1,566	103,085
2001	31,287	9,737	2,249	6,021	2,040	109,774
2002	36,557	8,795	3,227	5,734	2,479	112,857
2003	33,916	9,521	2,605	5,929	2,164	120,061
2004	42,350	10,108	2,778	5,993	2,404	133,952
2005	40,280	13,598	3,421	7,062	3,030	151,995
2006	49,522	13,230	5,708	9,742	3,201	1,445,910
Total 1981-2006	1,002,126	206,379	10,325	91,216	33,420	1,455,853

\* Note: USA and Insular Areas (Americas Samoa, Guam, Commonwealth of Mariana Islands, US Virgin Islands, Republic of Marshall Islands, Federated States of Micronesia, Republic of Palau, and Commonwealth of Puerto Rico)

\*\* Annual Averages

\*\*\* Europe: Data for Germany, UK, Italy, Spain, Sweden

## Table 3. Deployed Overseas Filipino Workers by Region of Destination, 1999-2007

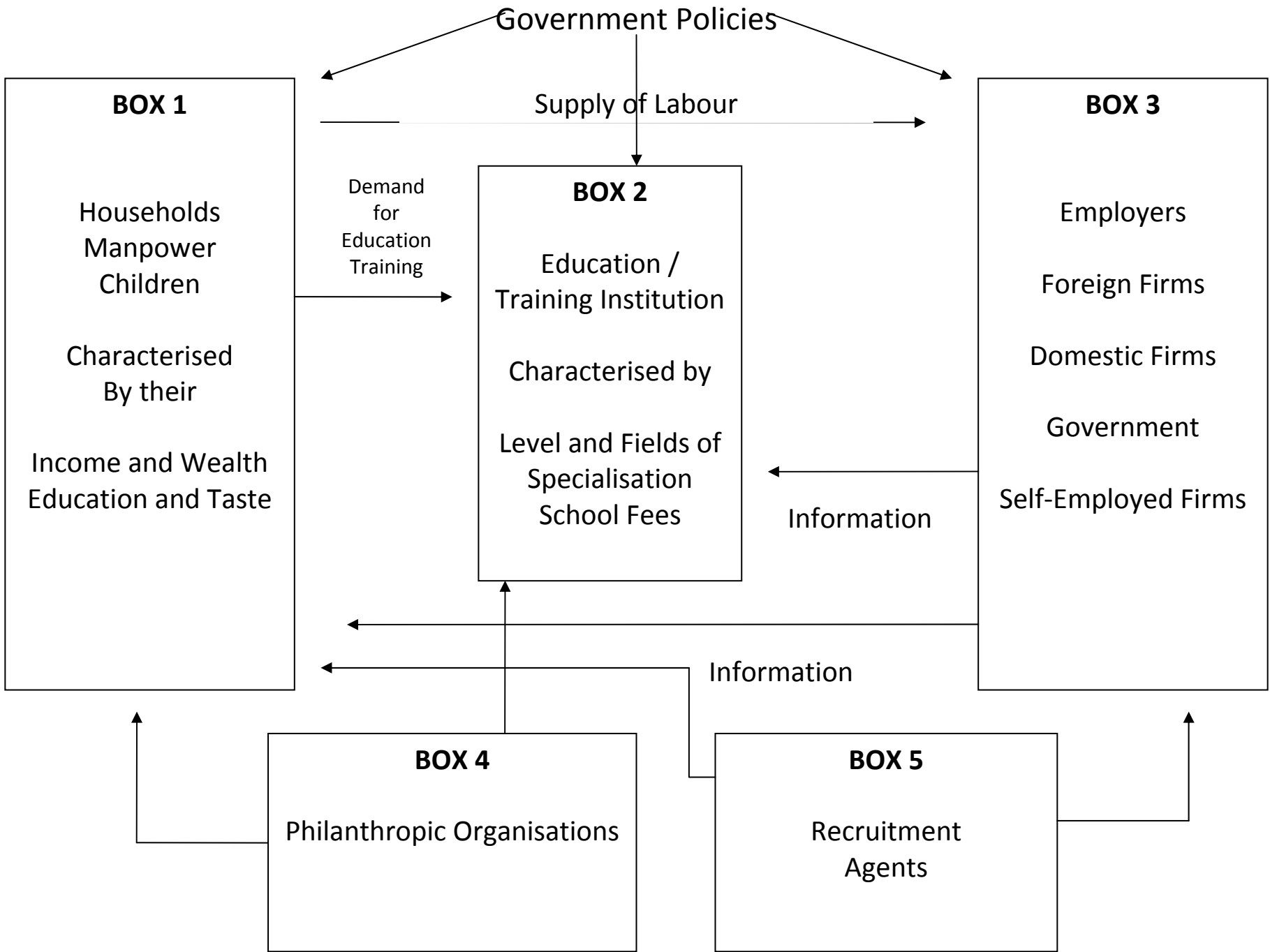
Region	1999	2000	2001	2002	2003	2004	2005	2006	2007
Middle East	287,076	283,291	297,533	306,939	285,564	352,314	394,419	462,545	487,878
Asia	299,521	292,067	285,051	292,077	255,287	266,609	259,209	222,940	
Europe	30,707	39,296	43,019	45,363	37,981	55,116	52,146	59,313	45,613
Americas	9,045	7,624	10,679	1,532	11,049	11,692	14,886	21,976	28,019
Africa	4,936	4,298	4,943	6,919	8,750	8,485	9,103	9,450	13,128
Trust Territories	6,622	7,421	6,823	6,075	5,023	7,177	7,596	6,481	6,674
Oceania	2,424	2,386	2,061	1,917	1,698	3,023	2,866	5,216	10,691
Unspecified	-	6,921	11,530	10,882	46,279	1	135	8	7
Total Land-based	640,331	643,304	662,648	682,315	651,938	704,586	740,632	788,160	811,070
Total Sea-based	196,689	198,324	204,951	209,593	216,031	229,002	247,983	274,497	266,553
<b>Grand Total</b>	<b>837,020</b>	<b>841,628</b>	<b>867,599</b>	<b>891,908</b>	<b>867,969</b>	<b>933,588</b>	<b>988,615</b>	<b>1,062,657</b>	<b>1,077,623</b>

**Table 4. Deployment of New Hires  
by Skills Category, 1995-2008**

<b>Skill Category</b>	<b>1995</b>	<b>2000</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
Professional Technical & Related Workers	43,901	78,685	63,941	41,258	42,431	33,267
Administrative & Managerial Workers	339	284	490	817	1,136	1,086
Clerical & Related Workers	3,441	2,367	5,538	7,912	13,660	11,746
Sales Workers	1,990	2,083	4,261	5,517	7,940	7,468
Service Workers	81,028	91,206	133,907	144,321	107,118	74,954
Agricultural, Animal Husbandry & Forestry Workers, Fisherman & Hunters	981	526	350	807	952	912
Production & Related Workers, Transport Equipment Operators & Laborers	82,508	57,807	74,802	103,584	107,118	74,954
Others (NEC)	-	20,072	-	-		
Not Stated	1	-	995	3,906		
<b>Total</b>	<b>214,189</b>	<b>253,030</b>	<b>284,284</b>	<b>308,122</b>	<b>306,383</b>	<b>216,803</b>

**Table 5. Net Outflow: Deployed Land-based New Hires, Emigrants, and Change in Deployed Seamen, 1990-2006**

<b>Year</b>	<b>Total New Hires</b>	<b>Emigrants</b>	<b>Δ Deployed Seamen</b>	<b>Total Flow</b>	<b>% Female of New Hires</b>
<b>1990</b>	188,736	63,149	7,932	259,817	
<b>1995</b>	214,157	56,242	11,025	281,424	58.3%
<b>2000</b>	253,030	51,301	1,635	305,696	70.5%
<b>2001</b>	258,204	52,054	5,627	315,885	72.0%
<b>2002</b>	286,128	57,720	5,642	349,490	72.8%
<b>2003</b>	241,511	55,137	6,438	303,086	72.5%
<b>2005</b>	284,285	69,028	18,981	372,294	72.2%
<b>2006</b>	308,122	82,967	26,514	417,603	59.9%



# The Education Labor Market

- 3 sets of participants in ELM: households, employers and education/training institutions
- Interaction between them determines the structure of wage rates, employment and E/T output of skilled labor
- Note there are millions of manpower (working age population) and employers, some big, many small firms including self-employment firms.
- There are thousands of E/T institutions
- The ELM consists of sub-markets for particular skills – doctors, lawyers, grave diggers, carpenters
- How does it work? As in any market we look at demand and supply

# Demand for Migrant Labor

- 1) Keen competition for highly skilled workers; those with advanced degrees in the sciences, mathematics, ICT in advanced countries' MNCs. They recruit from all over the world for the best minds.
- 2) The growing affluence of population in the world at large leads to increasing demand for service workers in tourisms, personal care and HR. See case of rapid demand for Filipino cruise service workers
- 3) The increasing demand for these workers is not matched by the rich countries' supply. The supply of service workers tends to fall as an economy gets richer.
- 4) The ageing population in rich countries increases demand for healthcare services; nurses and related workers.
- 5) Note that even if the rich countries' work force is declining, they still have much reserve labor, unemployed and non-participants in the labor force and they will continue to follow restrictive immigration policies.

# Behavior of Employers and Workers

- Demand for labor of a particular skill depends on the market value of its contribution to products
- We focus on the supply side. The supply of labor of particular skill (supply of skill for short) is derived from the individuals who have chosen to invest in that skill in the past and willing to supply it in the market
- In the long-run, the supply of a skill derives from the stock of people with the skill and the new entrants with that skill, i.e. those who have decided to invest in that skill.

- Human capital theory enters the picture. It argues that individuals decide to invest effort, time and resources in a skill that they expect to give the highest returns from a given set of skill choices
- In practice the choices are levels of education, fields of specializations, E/T institutions that determine the quality of E/T.
- A skill that promises higher wage and better terms of employment will tend to attract more youth.

## **We look at some peculiarities of human capital that determines supply size and elasticity**

- A) Skills require different inherent ability and personal traits. e.g. scientists, concert pianists, doctors, nurses, carpenters, salesmen.
- B) The cost of E/T tends to rise with the level of E/T and fields that require laboratory work. Most blue collar jobs require HS education and rely on experience while a medical doctor or marine scientist require a higher university degree
- Those unique features of the ELM determine the size and elasticity of supply of the various

- Skills that require high ability tends to have a small and less elastic supply. The high cost of instruction raises its reservation cost (Figure 2). Contrast this to the supply features of housemaids or factory workers.
- Our ELM is beset by serious market imperfections (economic jargon) such as inadequate and unequally distributed information and financial resources. Poverty and inequality limit the E/T choices of the poor to low-cost skills. Poor information prevents correct optimal choices among affordable skills.
- Small & underdeveloped industrial base where OJT takes place. Industries produce relatively small number of high-tech blue collar workers.
- These imperfections lead to serious inefficiencies and inequality.

**The serious problems that have beset the ELM and the economy are traceable to these imperfections. Some of these are:**

- 1) Generally poor quality of E/T
- 2) The brain/skill drain of nurses, high-tech construction workers and ICT specialists.
- 3) The skimming off of our brightest. There is evident world demand for highly skilled labor. World supply is relatively small and the advanced economic recruit from LDCs.
- 4) Unequal returns to investment in skills, and to migration. Foreign wage appears to rise with the quality of skills. The best quality are recruited in high wage countries.
- 5) Shortage of high quality nurses, ICT specialist, construction workers. E/T institutions do not produce enough of them.

- The government has established agencies to cater to the various needs of the ELM participants: CHED, TESDA, DOLE, PDEA, OWWA, PRC. Evidently, they, as a group, have failed to substantially reduce the imperfections of the ELM, i.e., information and resource constraints. They have failed to attack the root causes of the problem.
- Improving quality is a critical issue which is often debated in public fora.
- Let's discuss strategies for improving information dissemination and improving quality.

# Policy Issues

- 1) Resources are limited and we cannot expect any substantial budgetary increase for quality improvement and equity of access. We have to rely on resource allocation.
- 2) Basic education: curriculum reform improvement of learning materials use of ICT – not the satellite gimmicks proposed by DepEd, but more cost efficient ICT materials development and distribution massive teacher training
- 3) Higher education  
Reallocation of the budget for SUC towards a scholarship and socialized tuition schemes, Subsidy may be more effectively used by scholarships for target E/T categories and students.
- 4) Develop formal training of high-tech blue collar skills facilitate OJT, i.e. produce readily trainable workers

# Policy Issues

- 5) Foreign employment should be a stop gap measure while our economy has not accelerated its growth. Achieving high growth remains the best solution to ending poverty and raising the well-being of our people. Japan, Taiwan, Korea and Hong Kong were labor exporters economies until their economies reached such an advanced stage that the push to leave dissipated.
- 6) Improving the quality of E/T will accelerate our growth. Human capital is a critical factor in accelerating economic growth. Innovations in production and management expected are from work of scientists, engineers and managers. The country can attract more foreign investment if our work force were better qualified, e.g. BPO, healthcare.

**THANK YOU**